

**VOLUME II**

**TRANSCRIPT OF RECORD**

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**Supreme Court of the United States**

**OCTOBER TERM, 1967**

**No. 23**

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**PATRICIA WALDRON, ETC., PETITIONER,**

**vs.**

**CITIES SERVICE CO.**

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**ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT**

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**PETITION FOR CERTIORARI FILED NOVEMBER 3, 1966**  
**CERTIORARI GRANTED JANUARY 16, 1967**





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**October 31, 1952 Report on Iranian Petroleum  
Situation (Pltf's Exh. CS-119)**

**[12184] REPORT ON IRANIAN PETROLEUM  
SITUATION**

**W. Alton Jones**

**INTRODUCTORY**

Pursuant to an invitation extended by His Excellency Dr. Mohammed Mossadegh, Prime Minister of Iran, under date of July 26, 1952, Mr. W. Alton Jones, President of Cities Service Company, together with four associates, visited Iran for the purpose of surveying the Iranian oil situation and forming conclusions with respect to actions necessary to rehabilitate and revitalize the oil industry under the Iranian Government's nationalization program.

This group arrived in Tehran August 23rd and departed September 20th. In the interim, extended visits were made to the oil fields, distribution centers, and to the refinery at Abadan.

Dr. Mossadegh and other governmental officials, as well as the officers and executives of the National Iranian Oil Company, were most cooperative to the end that every opportunity was extended for the group to study at close range the actual condition of the petroleum facilities within the country. This report is based upon such study and represents the best judgment of the individuals participating.

In submitting this report it is recognized that many of the Iranian governmental officials and executives of the National Iranian Oil Company are fully conversant with conditions existing in the world today, [12185] particularly as related to petroleum on an international scale. For this

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reason effort has been made to limit the report to essentials rather than attempting to include masses of detail which at best would consist of reiterations of facts, figures, and statements with which undoubtedly they are already aware.

The report will present a summary of the inspection and observations regarding the Abadan Refinery by Mr. A. P. Frame; of the oil production activities by Mr. J. E. Heston; and of the transportation facilities by Mr. R. V. Whetzel. In addition, there will be a general summary section dealing with all phases of the Iranian oil situation and a listing of recommendations.

[12186] ABADAN REFINERY

A. P. Frame

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The Abadan refinery has a crude running capacity of 550,000 barrels per day.

All the processing units at the refinery, except the lube plants, had been operating prior to the time the British left, although the catalytic cracking unit had only had about two months of reasonably uniform operations at that time.

At the lube plant the furfural unit had been operating for a short time, but the MEX unit and the clay contact plant had not operated due to mechanical difficulties.

In addition to the processing and the usual refinery auxiliary facilities, the Abadan refinery carries on very extensive housing, recreational, health and transportation activities. In effect, it operates a city of about a quarter of a million people, so that the personnel at Abadan is not directly comparable with U. S. refineries.



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Prior to nationalization, the total personnel at Abadan and associated manufacturing and shipping operations was as follows:

	<u>Abadan</u>	<u>Mashur</u>	<u>Kermanshah</u>	<u>Total</u>
British Supervisory Staff	1,702	108	24	1,834
Iranian " "	762	14	29	805
" Non-Supervisory Staff	2,581	96	136	2,813
" Skilled Labor	17,811	1,389	1,645	20,845
" Unskilled Labor	5,877	578	314	6,769
Total	<u>28,733</u>	<u>2,185</u>	<u>2,148</u>	<u>33,066</u>

[12187] Since the withdrawal of the British, there has been practically no change in the number of Iranian staff and labor.

At the present time the Abadan refinery is processing 23,000 barrels of crude oil per day. The only basic refinery processing units being operated at the time of the visit were one of the smaller Badger distillation units, one of the gasoline treating units, and one of the SO<sub>2</sub> units for kerosene production. All utilities, electricity, steam, water and air, are being run at fairly high capacity due to the housing demands.

In addition, efforts are being made to operate the MEX dewaxing unit and the clay contact plant of the lubricating oil facilities. No attempt has been made to run the furfural unit and the other two units are being run on raffinate produced over a year ago. During the past year the Iranians have repaired and put into operation one of the two dewaxing filters in the MEX plant. The other filter is in the process of being repaired. This repair job has been very complex and the Iranian mechanical people who put this filter in operable condition have done an excellent job.

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No other processing units are in operation nor is there any plan to put additional units into operation under present conditions, particularly since the refined product storage capacity is practically full.

From the rather complete inspection made of the refining facilities at Abadan, it is evident that these facilities have been maintained in excellent condition since the nationalization of the petroleum industry. There was no evidence of sabotage or neglect of the refining facilities and, in fact, the maintenance and clean-up work done by the refinery personnel since the shutdown indicates that the physical condition of the refining facilities is probably better now than it was when the facilities were shut down. Considering only the physical condition of the refining facilities, it is probable that the Abadan refinery could be put into almost capacity operation within a period [12188] of two or three months if other factors, such as availability of personnel and the necessary supplies of maintenance and repair material were available.

#### PERSONNEL

The present refinery staff at Abadan is composed of Iranians, who in most cases have been assigned to their present positions since nationalization. A study of the personnel organization charts shows that during the period of British management practically all of the top administrative and technical positions in the refinery were held by British staff members, and that now such positions as are filled are held by Iranian staff people. It is apparent, therefore, that regardless of the ability of the present refinery staff, they are lacking in experience in regard to their present duties.

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Despite this limitation all members of Mr. Jones' party were most favorably impressed with the abilities and personalities of the present Abadan refinery staff, and are of the opinion that the present staff, in general, is quite capable of administering the operations of the Abadan refinery at any level of capacity provided that additional staff personnel is provided to fill positions now vacant and provided properly qualified advisors are available to guide and counsel the Iranians until they have the opportunity to become more thoroughly acquainted with the responsibilities facing them.

*Present Personnel Requirements*

At the time of the visit to the Abadan refinery, the plant was processing about 23,000 barrels of crude oil per day, or operating at about 4% of capacity. Efforts were being made to operate the lubricating oil facilities under rather serious handicaps. It is believed that to secure satisfactory operation of the refinery under the present conditions there is a real need for about six technicians. Three of these should be men skilled in the various [12189] phases of lubricating oil manufacture, one a qualified steam and electric power-generating engineer, one an experienced instrument man, and a sixth man well qualified in refinery inspection techniques.

*Full Capacity Personnel Requirements*

To operate the refinery at, or near, its capacity would probably require an additional 300 trained refinery technicians and operators in addition to the present staff. For instance, in order to operate the catalytic cracking unit would require a full staff of trained operators totaling about

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35 men. Other specialized units, such as the super fractionation facilities, the alkylation units, power generating facilities, etc., would also need trained operators totaling about 100. The rest of the foreign group would be administrative and technical engineers, skilled in various phases of refinery operations, who for the most would serve as advisors to individual Iranian staff people. The foreign operators would need to be taken directly into the refinery organization as operating people, as would a few of the technicians. The balance of the group could operate in an advisory capacity only.

*Half Capacity Personnel Requirements*

At a level of operations of the refinery of about 200,000 barrels per day, it is estimated that about 150 technicians and operators would be needed to supplement the present staff. This group also would be split about equally between operators and technicians.

**MAINTENANCE AND REPAIR MATERIAL**

In the design and construction of the Abadan refinery the British leaned heavily on American engineering firms. Consequently, a great deal of the refinery processing equipment is of American design. However, the British also followed a policy of substituting equipment of British manufacture in [12190] such facilities wherever such equipment could be substituted for that of American fabrication. As a result, most of such refinery equipment as pumps, air compressors, electrical and steam generating equipment, transportation equipment, etc., is, generally speaking, of British design and manufacture.

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The problem of securing replacement and repair parts for this British-manufactured equipment from other than the British manufacturer is almost impossible of solution. An investigation has been made as to the possibilities of obtaining spare parts for the British-manufactured equipment from American manufacturers. The specific parts investigated were those included in lists obtained from Abadan during the visit to Iran. This study has shown conclusively that in the great majority of cases it would be practically impossible for American manufacturers to supply such equipment due to lack of detailed fabrication drawings, as well as to the fact that the fabricating of small quantities of special orders becomes prohibitively expensive.

The securing of spare parts for equipment of American manufacture is less difficult but not necessarily simple. Certain American fabricators are loath to supply parts to the National Iranian Oil Company today for fear of offending the Anglo-Iranian Oil Company with whom they either are doing, or hope to do, considerable business. It is believed that such a difficulty could largely be overcome if the obtaining of such materials was carried out by some recognized American oil company as agent for the Iranians.

*Present Maintenance and Repair Material Requirements*

It is believed that so long as the refinery continues to operate at its present level it will be possible, by cannibalizing certain shutdown equipment and by manufacturing the necessary repair parts, to operate almost indefinitely.

[12191] There may be certain exceptions to this, particularly in the case of the lubricating oil facilities which it is desired to operate during this period in order to supply



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internal demands. However, this is a relatively small operation and it should be quite feasible to secure spare parts for this equipment wherever they are of American manufacture, or to replace British-manufactured pumps, etc., with equipment of American manufacture. It is probable that such a policy will require a cooperative effort on the part of the Iranians and some American oil company to overcome the reluctance of certain manufacturers to risk the disapproval of the Anglo-Iranian Oil Company, as well as to be certain of obtaining materials of proper design and size.

*Full Capacity Maintenance and Repair Material  
Requirements*

If the Abadan refinery is to operate even close to its maximum capacity the repair part problem will become most serious. It is theoretically possible to overcome this problem by replacing British-manufactured equipment with equipment of American manufacture. However, it is estimated that such a program would cost at least twenty-five million dollars and would take three or four years to complete. A much more satisfactory approach would be the consummation of some agreement whereby the necessary repair and replacement parts for the British-manufactured equipment could be obtained directly from the manufacturer, this program to be coupled with a long range plan to replace any such equipment, as it becomes worn out, with equipment of American manufacture.

It is extremely doubtful if the Abadan refinery could operate at maximum capacity, or even close thereto, for more than a very few months unless a workable mechanism is devised for the securing of repair and replacement parts for the British-manufactured refinery equipment.

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*[12192] Half Capacity Maintenance and Repair  
Material Requirements*

At the half capacity level of refinery operations it is possible that the Abadan refinery might be able to operate for from six months to a year by improvisation and cannibalization of shut down equipment and only then with definite limitations as to the number and quality of the refined products yielded. However, at this level of operations also it would only be a matter of time until the refinery operations would be seriously handicapped through lack of the necessary repair parts.

**[12193] OIL PRODUCTION OPERATIONS**

**J. E. Heston**

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The principal oil fields of Iran extend along a northeast-southwest trend paralleling the Persian Gulf and approximately 100 miles east of the Abadan refinery. There are six fields producing oil and one capable of producing condensate. These fields are connected by pipelines with the refinery at Abadan and with the port at Mashur.

In addition, one field (Naft-i-Sha) is located on the Iraq border 300 miles northwest of Abadan. This field is connected by pipeline with the 2,300 barrel per day refinery at Kermanshah. A well is now drilling on a large structure at Qum, 70 miles south of Tehran.

The following discussion will be limited to the fields connected with the Abadan refinery since the other fields mentioned are of particular interest for the long term rather than the short term viewpoint.

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The fields are located on large broad anticlines formed by overthrusts in foothills of Zagros mountains and production is obtained from crevices in Asmari limestone of Oligocene-Miocene age. Producing section averages 600 to 1000 feet thick.

At present no exploration work is being conducted by the National Iranian Oil Company and their staff available for this work is relatively untrained. Geological and geophysical information is available in the local files which outlines a number of anticlinal structures (10 to 15) in southern Iran which have not yet been thoroughly tested. In some instances, wells have been drilled on these structures but have failed to [12194] find production because of mechanical difficulties or because of poor location on the structure at depths where the Asmari lime (producing horizon) is encountered. In many instances no wells have been on the structure at all. Only a very few wells have been carried deep enough in the entire area to test the Cretaceous lime. One well in the Lalli field (Lalli #2) has been completed in Cretaceous limestone.

Before drilling any additional test wells a careful study should be made of the basic geologic and geophysical information obtained by A. I. O. C. in order to evaluate the interpretations which they have made. Subsequently, test wells should be drilled on these structures at points best situated geologically. Simultaneously, more of the southern area should be surveyed by aerial photography, surface geology, and geophysics to locate additional structures. Testing by drilling should be conducted first in areas where the oil, if found, could be most readily utilized and marketed. Such an exploratory program should be conducted



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in a manner that will permit keeping the efficient productive capacity as much as 25 per cent higher than the market demand.

Since N. I. O. C.'s exploratory staff has had limited experience and since N. I. O. C. should devote its primary efforts at the present time to training and developing its production staff, it is believed that the exploration program outlined above can best be accomplished by making a contract with some American oil company which already has a trained exploration staff.

The average production rate for the oil fields in 1950 was 655,000 barrels daily. Currently, this rate has been reduced to 42,000 barrels daily.

Reservoir performance indicates that the production of the fields could be safely increased to a rate of 750,000 barrels daily if adequate personnel and operating, repair, and maintenance materials were available. [12195] Anglo-Iranian Oil Company had planned to increase the capacity to approximately one million barrels daily by 1955.

Shortages of proper personnel and inadequate supplies of repair parts, transportation equipment, and power plant equipment make it inadvisable to try to produce the fields at the current capacity of 750,000 barrels daily. However, it is believed that production could be increased to a rate of 200,000 barrels daily at once. By augmenting the staff with trained and technical personnel from foreign sources and by arranging for a source of materials, this rate could probably be increased to a minimum of 500,000 barrels daily within two years.

A total of 383 wells have been drilled in the fields to date. Of these, 177 have been completed as oil producers and

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turned over to the producing department. The status of these wells now is:

Wells Gone to Water or Gas .....	92
Wells Shut In but Available for Production ....	62
Wells Producing June 1952 .....	23
<b>Total</b> .....	<b>177</b>

Of the remaining 206 wells, approximately 50% were completed as dry. The others are in various stages:

1. From 2 to 5 wells in each field are used as observation wells for reservoir performance.
2. Approximately 25 wells throughout the field have been drilled to the top of the pay but never completed.
3. Others have been drilled into the gas caps and shut in.
4. A number have been shut down prior to completion for mechanical difficulties that might be remedied.

The maximum production rates discussed above could be maintained for 18 to 24 months by using existing wells, by connecting up wells not now tied into production units, and by completing wells that were stopped during the process of drilling.

[12196] Drilling rigs in the field are adequate to complete the wells stopped during the process of drilling. In large measure the drilling crews needed to run these rigs are available locally. It appears that the most efficient way to get the supervisory staff needed for the rigs would be to

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make a contract with a United States drilling contractor covering the drilling operations. If it is later deemed advisable for National Iranian Oil Company to conduct its own drilling operation the services of the drilling contractor, during the interim, would permit the training of local supervisory personnel.

**MATERIALS AND EQUIPMENT**

The equipment in the oil fields has been excellently maintained since nationalization. The small production rate during this period has permitted the staff and labor forces to concentrate on maintenance of equipment and installations.

Because of the low scale of operations, generally the depletion of supplies has not been serious even though no new materials have been received. Most urgent requirements at present are:

1. Equipment to complete Tembi Gas Turbine Power Station in Masjid-i-Sulaiman, consisting primarily of control panels and electrical equipment.
2. Transportation equipment, such as trucks and cars.
3. Repair parts and operating supplies.

It is believed, however, that production could be increased to 200,000 barrels daily immediately if there was assurance that a flow of operating supplies, repair parts, and transportation equipment could be started within six months. Because of the possibilities of breakdown of the old power plant at Masjid-i-Sulaiman, it is urgent that the new power plant be completed promptly regardless of the contemplated production rate.

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[12197] While the supply of line pipe is short and additional pipe will be needed to connect all of the wells that have been drilled, the need for this material will not be urgent until it is desired to increase production rates to the level existing prior to nationalization. At such time, of course, it will be necessary to provide for a normal flow of all materials into Iran.

**PERSONNEL**

Approximately 2,800 staff men and 15,000 laborers were employed in the oil fields area of Iran prior to nationalization, a total of 17,800 men. Of these, 1,300 were British, all of whom have departed. Most of the vacated positions have since been filled with Iranians.

The existing staff appears to be of exceptionally high quality. The key supervisors and technical men have university training, most of them having received their doctors or masters degree in European or American universities. However, a large number of these men have not been thoroughly trained in the field for the positions they are now filling.

If operations are started up for producing 200,000 barrels of oil daily with the intention of further increasing the production rate, a minimum of 50 high quality, technically educated and field-trained men should be sent to Iran. These men will have the dual responsibility of advising the Iranian staff on their operations and of training Iranian supervisory and technical personnel. While this foreign staff is being hired and moved to Iran, a small group of specialists should be sent to the area to thoroughly review materials and personnel requirements and to assist

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the Fields Manager and Production Manager in building up their organization. These men could be sent to Iran on [12198] a six months' basis. They should include:

1. *Oil Production Superintendent*

Technically trained man with experience in supervision of oil producing properties.

2. *Drilling Superintendent*

Should be provided by drilling contractor who might subsequently enter into contract for drilling all wells.

3. *Power Plant Specialist*

Should make overall study of power requirements, of existing equipment, arrange for completion of partially constructed plants and arrange for preparation of study of power plant requirements at various oil production rates.

4. *Oil Field Construction Engineer*

Must have experience in construction and operation of natural gasoline and recycling plants as well as general oil field experience.

5. *Petroleum Engineer*

Should be a specialist in organizing a petroleum engineering department and have a thorough knowledge of reservoir engineering. The head of a petroleum engineering department from a uni-



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versity with administrative ability and field experience would be ideal.

*6. Petroleum Geologist*

Should be particularly well-qualified for organizing development and production geological department. Any exploration work for several years could best be handled by making a contract with some American company, such as ours.

*7. Transportation Superintendent*

Presently the position of Fields Transport Manager is vacant. It would be especially important to have a man from the United States to organize this department if it is decided to commence purchasing United States equipment.

[12199] The Fields Manager at Masjid-i-Sulaiman estimates that his present staff of supervisory and technical men will have to be increased by:

230 men for a production of 200,000 barrels daily

342 men for a production of 400,000 barrels daily

492 men for a production of 600,000 barrels daily.

It is believed that this estimate of manpower requirements is high. The highest production figure could be obtained by bringing in a small (about 100), but highly competent group from outside for advising and training present Iranian personnel, and new ones that may be hired. This small crew might have to be expanded later depending upon how rapidly the production rate were increased.

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[12200] TRANSPORTATION FACILITIES

R. V. Whetsel

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Under the heading of Transportation Facilities are including automotive transportation, pipelines, and marine loading facilities. No discussion is included in regard to tanker availability for the transportation of crude or products, since subject is covered under the general section of the report.

AUTOMOTIVE FACILITIES

The problem of maintaining adequate automotive transportation facilities is one of the most serious problems facing the National Iranian Oil Company at present. This is true first, because all petroleum operations are dependent upon automotive facilities for the movement of men and materials, and secondly, even with the limited scale of today's operations, the automotive transportation facilities are being operated almost at their original capacity since the number of employees of N. I. O. C. is but little changed from what it was prior to nationalization. Since early in 1951 no new automotive equipment has been obtained by the N. I. O. C. and only a very limited amount of repair parts for the existing equipment. It was quite apparent from an observation of the various types of automotive equipment now in use that unless extensive replacements are soon secured there will be a serious collapse in the automotive transportation system.

As a measure of the seriousness of this situation, the following table lists, by general types, the automotive equip-

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ment which was scheduled for [12201] replacement in 1951 and 1952 at Abadan and Bandar Mashur only.

<u>Type</u>	<u>No.</u>
Passenger Cars .....	157
Vans .....	233
Ambulances .....	7
Buses .....	182
Light Trucks .....	443
Dump Trucks .....	8
Tank Trucks .....	5
Special Trucks .....	35
Cranes .....	1
Sub-Total .....	1,071
Trailers .....	121
Motorcycles .....	232
Bicycles .....	590
Motorcycle Sidecars .....	41
Bicycle " .....	24
Total .....	2,079

It is estimated that in order to take care of all operations of N. I. O. C., including the oil fields and the distribution system, the above list would have to be expanded by 50% and include an additional 150 tank trucks.

It is probably true that replacement of this automotive equipment, which is primarily now of British manufacture, could be obtained by substituting American-built equipment. However, such a replacement would probably entail a capital expenditure of seven or eight million dollars.



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It is believed that the present personnel in charge of maintaining the automotive fleet is well trained and adequate to service present facilities. However, if a substantial portion of the present fleet were to be replaced with American-built units it would probably be advisable to obtain the services of three or four automotive engineers experienced in the handling of the new equipment.

[12202] PIPELINES

The pipeline transportation systems from the various oil fields to Abadan and Bandar Mashur seem to be in excellent condition and on very short notice could be made ready to carry the normal crude output of 1950, which averaged 650,000 barrels per day.

The problem of repair and replacement parts for the pipeline systems is not as acute as in other types of transportation equipment since the pipelines have been, to a large extent, idle since early in 1951. It is apparent, however, that if full scale operations were resumed, as far as the pipelines were concerned, it would only be a relatively short time, possibly six months, before the availability of the necessary repair materials would become controlling as far as this transportation capacity was concerned.

PORT FACILITIES

There are three port facilities in Iran involved in the handling of crude oil or refined products. These are Abadan, Khosrowabad, and Bandar Mashur.

*Port of Abadan*

Shipping facilities at Abadan are situated near the refinery on the Shatt-el-Arab River about 40 miles from deep

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water in the Persian Gulf. Navigation over the bar at the mouth of the river is controlled by the Port of Basrah (Iraq) Authority, which is responsible for keeping the channel open for ocean-going vessels.

By continuous dredging the channel is kept at 24 feet low tide and 34 feet high tide, and before nationalization A. I. O. C. could pass out six 12,000-13,000 ton tankers at each high tide. A T-2 was reported to have cleared the bar fully loaded in March 1951 during the high spring tides. Some lightering over the bar to large tankers was done by A. I. O. C. but the two 5,000 ton [12203] tankers used for this purpose were taken away by the British.

The channel from the bar to the loading jetties at Abadan is deeper. The water depth is kept at 30 feet low tide and 39 feet high tide by occasional dredging with three small grab dredges operated by the N. I. O. C.

When the British departed, they took with them ten sea-going tugs and there is now in the harbor no equipment of this kind that can handle large tankers. They left behind three steam tugs of 230 tons each, several smaller river craft, a floating drydock capable of handling a 900 ton vessel, and a second that can lift a 56,000 barrel tanker. These are over twenty years old but maintained in good condition.

The buildings consist of a Seamen's Institute, an office building, and a machine shop tooled to repair marine equipment.

The present Marine Superintendent has been with the Marine Department many years in a subordinate position in A. I. O. C., but seems to be competent. He has 2,000 men on his payroll, about half of which are kept busy on maintenance. As a result, all equipment seems to be in

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first class shape. He seems confident that he can handle an occasional tanker on short notice but expressed the need for one or two marine experts to make a complete survey of the port before shipments are started. He also supervises the marine activities at Khosrowabad and Bandar Mashur.

Loading facilities at Abadan consist of 15 oil loading jetties, each of which is so equipped that two or sometimes three grades of oil can be loaded simultaneously. Two other jetties are used for the import of general cargo and a third is utilized to load asphalt in drums. Electric pumps can load 2,000 to 6,000 barrels per hour of black oils and from 1,800 to 4,800 barrels per hour of light oils. Separate pump stations and pumps can load crude and each of several products to several loading jetties at one time. There are a total of [12204] 22 pump houses and 44 pumps, details of which were made available to the party.

About 1,100 men are now on the payroll of this department and are kept busy on maintenance. All equipment appears to be in fair to good condition and can be put into operation on short notice.

*Khosrowabad*

A fuel oil loading station is located at Khosrowabad on the river about twenty miles below Abadan. It consists of 4 loading jetties, 2 pump houses with 2 pumps in one and 3 in the other. Loading rate is about 5,200 barrels per hour. There is also a bunker station with one pump loading at all 4 jetties. The station is connected with Abadan by three 12" pipelines. The storage capacity is three 134,000 barrel tanks and a smaller bunker fuel tank. It is supervised from the

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Abadan office. Only a few men are stationed there to take care of maintenance.

*Bandar Mashur*

Bandar Mashur is located on the Khor Musa about 40 miles from the Persian Gulf and 60 miles by air from Abadan.

One 12" line and one 22" line about 42 miles long carries crude from the Agha Jari field to the Mashur tank farm. Two small products lines 4" and 3" for light products, and one 12" line for bunker fuel connect Mashur with the Abadan refinery.

Crude oil storage space, now full of oil, consist of 12 tanks of 134,000 barrels each. Ten others of the same size are under construction. There are also two bunker fuel tanks, of 134,000 barrels each, and a small fuel oil tank of about 17,000 barrels, which are located at the jetty head.

[12205] Oil loading facilities consist of 4 jetties, 1 complete and ready for service; 2 others can be put into operation in 30 days and construction on a fourth is well started. It is also possible to load ships at 2 buoys already constructed.

Two pump houses, one having two pumps electrically-driven and the other three pumps diesel-driven, can load vessels at the rate of 6,000-7,500 barrels per hour.

At the jetties the water is 38 feet deep at low tide and 48 feet at high tide. The water in the channel to the sea has a greater depth and the port can handle the largest tanker built today.

At present there is an office building and good living quarters for staff and labor. Several buildings are under construction.

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There is apparently enough material on hand to complete all construction of storage tanks and buildings. There is the need for two or three large tugs to maneuver tankers. There are two small steam tugs and several launches on hand.

The present personnel of staff and labor consists of about 400 men in the marine and 80 men in the loading facilities.

**COMMENTS**

1. Unquestionably, the most urgent shipping need is to comply with the request of the Marine Superintendent for a Marine and Terminal expert with one or two assistants to make a detailed survey of the shipping and loading facilities. This should be done before any extensive tanker program is planned, either for Abadan or Mashur.

[12206] 2. It is probably a safe estimate that within three weeks Bandar Mashur could load at least two T-2 tankers a day or about 260,000 barrels of Agha Jari crude, or perhaps one super tanker (28,000-38,000 tons) at 200,000-240,000 barrels per day and thereafter gradually increase its facilities.

3. At Abadan, with thirty days' notice, probably as many as three to four 12,000 ton tankers of about 85,000 barrels each could be cleared in one day and thereafter gradually increase facilities to normal.



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[12207] GENERAL SUMMARY

W. Alton Jones

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Upon Iran's nationalization of the petroleum industry and the cessation of petroleum shipments from the country early in 1951, there was an immediate and serious impact upon the availability of petroleum products to consumers worldwide. The effect of this shutdown, as is now apparent, was twofold: (1) the almost instantaneous expansion of crude production from other Middle East countries, such as Iraq, Bahrein, Kuwait and Saudi Arabia as well as from Western Hemisphere countries; and, (2) the immediate utilization of all European refining facilities, old and new, the substantial expansion of refining facilities in Venezuela and the United States, and the prompt adoption of plans by Anglo-Iranian and other interests to construct refining facilities with substantial capacity in other parts of the world. The measures taken to date make it self-evident not only that the loss in crude production through cessation of activities in Iran has been overcome, but also that if the total loss of the Abadan refining capacity has not already been made up, it soon will be.

As of the present day, and although no Iranian-produced petroleum is being utilized outside of Iran, the free world demand for petroleum products is being adequately met and the indications are that such demands can continue to be met for the immediate future without Iranian oil production. On the other hand, even from a short range standpoint, it is an economic and sociological tragedy that the petroleum facilities of Iran should be substan- [12208]

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tially idle, particularly since the economy of Iran could benefit greatly from a realistic exploitation of her petroleum resources. Furthermore, from a longer range viewpoint the ever-increasing demand for petroleum products on the part of the free world will eventually need Iranian oil to satisfy such requirements.

It is, therefore, the purpose of this section of the report to discuss the problems involved in securing the earliest possible reactivation of Iran's petroleum industry.

There are three major considerations to be resolved if the petroleum industry in Iran is to be reactivated:

*First*, obtaining sufficient tankers, markets and marketing facilities to secure outlets for Iranian petroleum products and crude oil.

*Second*, obtaining necessary skilled petroleum technologists and operators to supplement the present Iranian staff for the operation of the petroleum facilities.

*Third*, obtaining the necessary replacement and repair material to permit the operation of the existing petroleum equipment, a large proportion of which is of British manufacture.

It is proposed to discuss the first consideration in some detail in this summary section since it is the most difficult of solution. The second and third considerations have already been discussed in the detailed sections of this report dealing with refining, oil production, and transportation, and will be summarized in this section.

In order to appreciate the problem of obtaining sufficient transportation and marketing facilities to assure outlets for Iranian petroleum products it is necessary to consider the

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worldwide flow of petroleum and [12209] petroleum products from production centers to marketing areas.

For the year 1952 it is estimated that the consumption of petroleum products worldwide, excluding Russian-dominated areas, will average about 11,500,000 barrels per day. Of this amount, about 8,500,000 barrels will be consumed in the Western Hemisphere (the United States alone will consume 7,000,000 barrels per day), and the Eastern Hemisphere will consume an average of about 3,000,000 barrels per day. The Western Hemisphere, considered as a unit for 1952, is more than self-sufficient as far as its ability to satisfy its own demand is concerned. In fact, during 1952 it is probable that the export of petroleum from the Western Hemisphere to the Eastern Hemisphere will average over 200,000 barrels per day.

As indicated in Table I in the appendix, the amount of petroleum exported from the Western Hemisphere has been decreasing over the years due to the fact that in this area the growth of new production has not kept pace with its growth in demand. It is also quite probably true that the time will come when a portion of the demand for petroleum in the Western Hemisphere will be met by importations from the Eastern Hemisphere but it is unlikely that such a movement in any significant quantity will occur within the next five years. During recent years some small quantities of Middle East crude have been imported into the United States for processing but such movements in total have not yet exceeded 100,000 barrels per day, and have been undertaken by U. S. companies who were desirous of utilizing some of their Middle East crude production capacity to supplement their individual needs for petroleum products. The



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economic movement of Middle East crude oil to the United States in any substantial quantity is hampered by two factors:

First, the high cost of transporting this oil. Under today's conditions utilizing T-2 tankers the transportation, canal tolls, and import duty [12210] costs of laying Middle East crude down on the Eastern Seaboard of the United States will be \$1.70 per barrel. This should be contrasted with a similar cost of laying Venezuela crude down on the Eastern Seaboard of the United States of \$.50 per barrel. It is apparent that until there is a real shortage of crude oil in the Western Hemisphere to meet the Western Hemisphere's demands for petroleum products it is improbable that there will be any substantial movement of Middle East crude to the United States unless it is possible by reason of low production costs to offer such crude at a price sufficiently attractive to create a demand.

Second, Middle East crude coming to the United States would likely be processed at refineries on the Eastern Seaboard. Processing at inland or Gulf Coast refineries would require expensive uneconomic back hauls of products. At the present time the total refining capacity of East Coast refineries in the United States amounts to 2,000,000 barrels per day, of which 80% is owned by U. S. oil companies who have their own domestic production as well as substantial production in the Caribbean area and in the Middle East. It is unlikely that such companies would be interested in processing Iranian crude.

On the other hand, there are some American companies which presently do not have sufficient crude reserves, either

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domestic or foreign, to meet their crude oil requirements. In the event Iranian crude were so priced as to compete advantageously on a delivered basis with other crudes, it is possible that under proper conditions a market for a limited amount could be found among these companies.

During the last full year of operations in Iran prior to nationalization, about 80% of the crude oil produced in that country was processed at the Abadan refinery and exported as products. The petroleum industry in Iran at [1951] that time, as well as at present, employed about 55,000 Iranians, of which almost 50% (27,000) were employed at the Abadan refinery. It would appear that the restoration of the Iranian economy will require the continued operation of the Abadan refinery and, consequently, the export problem is primarily one of exporting petroleum products rather than crude oil. The possibility of exporting any substantial quantity of petroleum products from Iran to the Western Hemisphere in the foreseeable future would appear to be almost negligible. This is particularly true because the Abadan refinery in contradistinction to Iranian oil production is not a low-cost producer. The labor costs at the Abadan refinery, despite comparatively low wage rates, are from five to seven times greater than for comparable U. S. refineries, and the yield of high value products, such as gasoline, is much lower than invariably obtained by U. S. refineries. It would seem to be completely unrealistic to assume that any reactivation of the Iranian refining industry could be achieved in the foreseeable future through the exportation of refined products from Abadan to the Western Hemisphere.

Since it does not appear that the exportation of either crude oil or refined products from Iran to the Western Hemi-

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sphere offers any real hope of substantially reactivating the Iranian petroleum industry, it is obvious that such reactivation will depend upon regaining those markets in the Eastern Hemisphere which were served from Iran prior to nationalization. It is apparent that European, African and Asiatic markets are more logically the outlets for Iranian petroleum products than are those of the Western Hemisphere. Furthermore, the demand for petroleum products is growing much more rapidly in the countries of the Eastern Hemisphere than in the United States. The consumption of petroleum products since World War II in the Eastern Hemisphere has increased about 87% from 1946 through 1951, an annual increase of almost 14%, while in [12212] the same period the annual increase in the United States has been about 8%.

It would seem, therefore, that as far as markets are concerned, the reactivation of the Iranian petroleum industry should be based upon the reentry of Iranian petroleum into Eastern Hemisphere markets as was the situation prior to nationalization.

A correlary part of securing outlets for Iranian petroleum is the problem of securing sufficient tankers for the movement of this oil. It is estimated that to move as much oil from Iran as was moved in 1950 to Eastern Hemisphere markets would require about 400 tankers, aggregating about 5,000,000 deadweight tons. Table II in the appendix shows the latest available listing of the worldwide tankage fleet by countries and by tonnage. As of the present time practically all these tankers are in operation and it is probable that this tight tanker situation will continue for the next two years. While it is true that a certain number of

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tankers can almost always be obtained on a charter basis, it is highly improbable that anything like 5,000,000 tons of tanker capacity could be obtained to move Iranian petroleum without drawing on at least part of the fleet which, prior to nationalization, moved Iranian oil into world markets. The construction of a new fleet of tankers for this purpose is possible, but it would be exceedingly expensive (possibly \$800,000,000) and would require as much as five years to complete.

Summarizing, the following reflects the views of Mr. Jones and his associates on this phase of the report:

1. Complete reactivation of the Iranian petroleum industry in any reasonably short time will require that some arrangement be consummated through which a substantial portion of the marketing and transportation facilities utilized for Iranian oil prior to nationalization will be restored to this service.

- [12213] 2. There will be little, if any, demand in the Western Hemisphere for refined products from Abadan.

3. For the immediate foreseeable future, Abadan refinery operations cannot be increased beyond the amount needed to take care of internal Iranian demands and such markets as can be developed in Europe, Asia and Africa.

4. Because of prospective substantial increases in demand in those markets, it should be possible over a considerable period of time to build up Iranian exports of products to a respectable figure. This is not a short range project, however, and must be undertaken on a gradual basis.

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5. Even from a relatively short range point of view, Iranian crude in some quantities could probably find its way into American markets, assuming the following conditions:

(a) Crude to be so priced in Iran as to reflect an advantage on a delivered basis over other crudes available on the Eastern Seaboard of the United States.

(b) Willingness of Iran to enter into long term supply contracts with sufficient flexibility to maintain this relationship with competing crudes.

(c) Development of some method, possibly through agreement between United States and British Governments, that would allow Iranian crude to move to U. S. markets without tie-ups, law suits and other similar harassments to the purchasers of the crude.

[12214] Even though it is believed that under the above conditions some Iranian crude could move to the United States, it should be appreciated that for reasons already outlined such movements in the short term future would not exceed twenty percent of the crude oil productive capacity of Iran and only then under extremely favorable economic conditions. However, such an arrangement, if it were consummated, could rather quickly supply a substantial increase in revenues to the Iranian government.

The second major problem in regard to the reactivation of the Iranian petroleum industry lies in obtaining necessary skilled petroleum technologists and operators to supplement the present Iranian staff. It is recognized that as an inherent part of the oil nationalization program a policy has



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been established whereby the management of the Iranian oil industry will be administered by Iranian nationals. It is believed that this policy can be adhered to and full and efficient operation of the oil installations obtained, provided that two essentials are fulfilled:

First—An inherent danger in any state-operated industrial enterprise is that business judgment and administrative decisions become subordinated to political expediencies. In the highly competitive and technical petroleum industry it is essential, if Iran is to take its place in the world petroleum picture, that its petroleum industry be freed from the influence of political pressures.

Second—In such contacts as Mr. Jones and his party have had with the Iranian nationals administering Iran's oil industry, they have been uniformly impressed with the ability, character and personality of these staff members. While it is true that most of the present staff members have not had extensive experience in handling those problems for which they are presently responsible, and while it is also true that this staff is limited in number [12215] especially if it were called upon to administer the Iranian petroleum industry at capacity, nevertheless it is believed that if it were supplemented by properly qualified advisors and a limited number of skilled technicians and operators it would be possible to operate the Iranian petroleum industry at capacity and comply completely with the policy of Iranian management.

In prior portions of this report detailed reference has been made to the members and qualifications of outside assistants who should be provided for each of the operating divisions to maintain satisfactory operations at various lev-

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els of capacity. In general, it is believed that about six specialists, particularly lubricating oil manufacturing specialists, are needed at the present level of refining operations (23,000 barrels per day). For an operating level of 200,000 barrels per day, it is believed that outside specialists, numbering 200, will be required, with probably about 400 such specialists required for all-out operations. In most cases these specialists would serve as advisors to Iranian staff members, although a certain number of actual operators will be required for such highly specialized equipment as the catalytic cracking unit at Abadan. In order that this type of technical and management assistance may function properly, it is evident that such assistants must be highly qualified and experienced in modern petroleum technology and operations.

It would be extremely difficult, if not impossible, for the National Iranian Oil Company to employ the number of qualified petroleum technologists and administrators needed to reactivate their industry. Such qualified individuals are almost certainly already employed in the U. S. domestic industry and would be generally unwilling to completely divorce themselves from their present association. It is difficult to see how such specialists could be made available to Iran other than by collaboration with some U. S. oil company where [12216] a scheme of rotation for foreign service could be instituted.

A correlary part of this same problem lies in the necessity of the Iranian petroleum industry, if reactivated, maintaining close relationship with a well-qualified, technical, petroleum organization to assure the Iranian industry being kept informed on the technological developments of the industry. Historically, the petroleum industry has made continuous technological progress, and any segment of the

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industry—worldwide—which does not keep abreast of such developments finds itself in an uneconomic position eventually. Therefore, a reactivated Iran petroleum industry will need intimate contact, from a technological standpoint, with some progressive petroleum organization if it is to maintain or expand its position in the world petroleum situation.

The third major problem facing the reactivation of the Iranian petroleum industry is that of obtaining the necessary repair and replacement material to permit the operation of the existing petroleum equipment, a large proportion of which is of British manufacture. The combination of British equipment in American-designed facilities is quite general in the petroleum facilities in Iran and is the result of a definite British policy to reduce the dollar drain created by expansion requirements.

The very general use of British-manufactured pumps, air compressors, automotive equipment, power generating facilities, etc. has created and will continue to create a serious spare parts problem for the oil facilities in Iran. It is theoretically possible to replace all such British-manufactured equipment with American fabricated material but such a wholesale replacement would be exceedingly expensive (possibly forty million dollars) and, in addition, would require several years to complete.

It appears that any plan for the prompt reactivation of the Iranian petroleum facilities at anywhere near capacity must include some arrangement [12217] whereby the necessary repair and replacement materials for the British-manufactured equipment can be obtained from the British manufacturer.

At the present level of operations the spare parts problem is, of course, less acute and can, to a large degree, be overcome by cannibalizing equipment not needed for opera-

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tional purposes. Even at this level certain problems have arisen, particularly in regard to spare parts for the lubricating oil plant at Abadan, for the electric power and steam-generating equipment at Abadan and at Masjid-el-Sulaimin, and for the automotive equipment in general. It is probable that such problems could be overcome provided that enough dollars are available to the Iranians for the purchase of American fabricated equipment as replacements and provided that American technical help is provided for the selection of the necessary items.

[12218] RECOMMENDATIONS

W. Alton Jones

It is recognized that the presenting of specific recommendations looking toward the reactivation of the Iranian petroleum industry is fraught with many difficulties and dangers of being misconstrued. However, the present impasse appears to be so hazardous, not only to the economy of Iran, but also to the ultimate well-being of the free world that this report should not close without presenting such recommendations as have developed from the study and analysis given to the Iranian oil situation over the past several months. Therefore, the following specific recommendations are offered with the belief that their adoption would ameliorate, if not lift entirely, the burdens now being borne by the Iranian people and the struggle to strengthen the security of the free world.

1. This fact must be recognized by all parties concerned; that the full reactivation of the Iranian oil industry within a period of five years or less can only be obtained by the consummation of some agreement

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between the Iranians and the British whereby the markets and the transportation and marketing facilities previously being served by and handling Iranian petroleum are returned to that service. Therefore, the development of a mutually satisfactory agreement between the Iranians and the British is the fundamental point governing the full reactivation of the oil industry of Iran.

[12219] Such an agreement should be based on the following conditions, most of which have already been accepted in principle by the parties concerned.

(a) The British to recognize the right of Iran to nationalize the petroleum industry in Iran.

(b) The Iranians to agree to compensate the British in a fair and equitable manner for the value of the petroleum facilities taken over by the Iranians.

(c) All outstanding claims between the Iranians and the British to be equitably adjusted and payment arranged.

(d) The British to agree to purchase at specified prices and volumes Iranian-produced petroleum products.

(e) All economic and political sanctions and restrictions to be removed by both parties.

It is believed that if there is a sincere desire on the part of both the Iranians and the British to settle the controversy within the framework of the above principles, such a settlement could be achieved that would be satisfactory to both parties.

Therefore, it is recommended that two small groups of representatives (three of each) to be appointed by



*Summons and Complaint, June 11, 1956*

[11011] IN THE  
UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK

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[SAME TITLE]

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COMPLAINT

The Plaintiff, by his attorneys, brings this action against the defendants and upon information and belief complains and alleges as follows:

I.

JURISDICTION AND VENUE

1. This claim is made under the provisions of Section 4 of the Clayton Act, 15 U. S. C. § 15, for damages to compensate for injuries suffered by plaintiff in his business and property by reason of the commission by defendants of acts forbidden by Sections 1 and 2 of the Sherman Act, as amended and Section 73 of the Wilson Tariff Act, 15 U. S. C. §§ 1, 2, 8. The jurisdiction of this Court is invoked under the aforesaid sections of the Sherman Act and Wilson Tariff Act and the Act of [11012] June 25, 1948, 28 U. S. C. § 1337.
2. Each of the defendants transacts business within the Southern District of New York and may be found there.
3. Plaintiff, Gerald B. Waldron, is a citizen of the State of Colorado and does business as Consolidated Brokerage. During the periods, hereinafter more fully described,

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plaintiff was engaged as an oil broker seeking to effect sales of Iranian oil in the United States and elsewhere.

## II.

## DESCRIPTION OF DEFENDANTS

4. The following corporations are made defendants herein:

<u>Name and Address</u>	<u>Places of Incorporation</u>	<u>Principal Places of Business</u>	<u>Abbreviated Name</u>
British Petroleum Company, Ltd. (formerly Anglo-Iranian Oil Company, Ltd.) 610 Fifth Avenue New York, New York	registered in United Kingdom	London, England	Anglo Iranian
Cities Service Company 60 Wall Street New York, New York	Delaware	New York, New York	Cities Service
Gulf Oil Corporation 600 Fifth Avenue New York, New York	Pennsylvania	Pittsburgh, Pennsylvania	Gulf
Socony Mobil Oil Company, Inc. 26 Broadway New York, New York	New York	New York, New York	Socony
Standard Oil Company of California 30 Rockefeller Plaza New York, New York	Delaware	San Francisco, California	Socal
[11013] Standard Oil Company (New Jersey) 30 Rockefeller Plaza New York, New York	New Jersey	New York, New York	Jersey
The Texas Company 135 East 42nd Street New York, New York	Delaware	New York, New York	Texas

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Each of the defendants is a fully integrated enterprise carrying on, by its own acts or through numerous subsidiaries and affiliates in many parts of the world, exploration, production, transportation, shipment, refining, marketing, research and manufacturing operations with respect to petroleum or products thereof.

5. The acts and thing herein alleged to have been done by the defendants were authorized, ordered or done by officers, agents or employees thereof.

III.

THE COMMERCE INVOLVED

6. The trade and commerce involved herein is in petroleum and products thereof, and the words "petroleum and products" shall be deemed to mean crude oil and the principal products refined therefrom, including gasoline, fuel oils, lubricating oils, gas oils, diesel oils, white oils, and kerosene. Each of the defendants is engaged in the business of producing, refining, transporting, and/or marketing of petroleum and products. In the course of said business, the defendants, sometimes by subsidiary or affiliated corporations, have and/or continue regularly to put vast quantities of said petroleum and products in commerce among the several States of the United States, and/or from the United States [11014] to foreign countries, and/or from countries to the United States, in interstate and foreign commerce of the United States. The value of said petroleum and products amounts to many millions of dollars each year.

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7. The defendants, including their subsidiary and affiliated corporations, and other companies hereinafter described, control a substantial majority of the world's estimated crude oil reserves. They account for virtually all of the production of crude oil in the Eastern Hemisphere (excluding Russia and countries under the domination or control of Russia). They also control a substantial majority of the refining capacity of the free world and virtually all pipelines outside the United States. Furthermore, they control approximately two-thirds of the world's privately owned tanker fleet. They account for a major part of the petroleum and products marketed in most countries of the free world.

## IV.

## THE CONSPIRACY

8. Beginning in or about the year 1928, and continuing up to and including the date of filing this complaint, the defendants and other companies and persons have been and now are engaged in an unlawful combination and conspiracy to restrain interstate and foreign commerce of the United States in petroleum and products, to increase domestic market prices of petroleum and products imported into the United States, and to monopolize [11015] trade and commerce in petroleum and products between the United States and foreign nations, and said defendants and other companies and persons during said period of time have been and now are unlawfully monopolizing trade and commerce in petroleum and products between the United States and foreign nations, in violation of Sections 1 and 2 of the Act of Congress of July 2, 1890, entitled "An Act to protect trade and commerce against unlawful restraints and monop-

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olies," as amended (15 U. S. C., Sections 1 and 2), commonly known as the Sherman Act, and Section 73 of the Act of Congress of August 27, 1894, as amended, entitled "An act to Reduce Taxation, to Provide Revenue for the Government, and for Other Purposes" (15 U. S. C., Section 8), commonly known as the Wilson Tariff Act.

9. The aforesaid combination and conspiracy and monopolization have consisted of a continuing agreement and concert of action among the defendants and other companies and persons, the substantial terms of which have been that they agree to and do:

- (a) Secure, maintain and exercise control of foreign production and supplies of petroleum and products;
- (b) Divide among themselves foreign producing and marketing territories;
- (c) Agree upon, maintain and correlate domestic and world prices of petroleum and products;
- (d) Control imports of petroleum and [11016] products into the United States;
- (e) Control exports of petroleum and products from the United States;
- (f) Exclude United States companies and persons other than defendants and their subsidiaries and affiliated companies, from opportunity to engage outside the United States in the production and refining of petroleum and products, and from importing into the United States foreign petroleum and products of their own production or manufacture;
- (g) Exclude United States companies and persons other than defendants and their subsidiaries and affili-



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ated companies, from opportunity to import into the United States petroleum and products produced in foreign countries by defendants and other companies;

(h) Enter into long term supply contracts to prevent sales of foreign produced petroleum and products to competitors;

(i) Eliminate or restrict competition in foreign markets;

(j) Cause the formation of local cartel agreements to suppress and eliminate competition in various foreign markets and areas;

(k) Control a predominant part of the world's commercial tanker fleet and exclude others from the opportunity of utilizing tankers for the transportation of petroleum and products in foreign trade;

[11017] (1) Acquire the business and facilities of other companies engaged in the production, transportation, refining and/or marketing of petroleum and products outside the United States; and

(m) Submit uniform non-competitive bids for supply of petroleum and products required by military and civilian agencies of the Government of the United States.

All of the facts set forth in the foregoing paragraphs 8 and 9 have been alleged by the United States of America in a complaint filed against defendants Jersey, Socony, Socal, Texas and Gulf on April 21, 1953, in the United States District Court for the District of Columbia and now, by transfer, pending in the United States District Court for the Southern District of New York.

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10. In formulating and effectuating said unlawful combination and conspiracy and said unlawful monopolization, defendants have entered into various contracts, agreements, understandings and arrangements among themselves and with other companies and persons, and have done various things and have performed various acts, the principal ones which occurred ~~on~~ or before the filing of the complaint of the United States on April 21, 1953, other than specific acts directed toward this plaintiff, being set out more fully in the Government's complaint to which reference is hereinafter made.

(a) During late 1927 and early 1928, defendant Jersey, Royal Dutch Petroleum Company, [11018] hereinafter called "Royal Dutch", The Shell Transport and Trading Company, hereinafter called "Shell", and defendant Anglo-Iranian, held a series of conferences and meetings which resulted in an agreement known as the "Achnacarry Agreement," or "As Is Agreement of 1928" and bearing the simple title "Pool Association" and dated September 17, 1928. This agreement recites the governing principles and understandings adopted for the purpose of eliminating competition among the parties, their subsidiaries and affiliates and stabilizing world markets in petroleum and petroleum products by having the parties and all competitors they met adopt market quotas, fix prices, curtail production and limit facilities. The agreement purported not to apply to the domestic market in the United States, but directly involved exports from the United States. It also contained provisions for inclusion of additional participants.

(b) On or about July 31, 1928, Near East Development Corporation, hereinafter called "Near East", then

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partly owned by defendants Jersey, Socony and Gulf entered into an agreement with Royal Dutch, Shell, Anglo-Iranian, Compagnie Francaise Des Petroles, Participations and Investments Limited, and Turkish Petroleum Company, for the joint exploration and production of certain petroleum concessions in Iraq held [11019] by the Turkish Petroleum Company. This agreement provided that the parties refrain from individually obtaining concessions for, and from producing oil in, the so-called "Red Line" area, which is that part of the Middle East bounded by the Mediterranean Sea, Red Sea, Indian Ocean, Persian Gulf, Western borders of Persia and the Black Sea. The agreement conceded to Turkish Petroleum Company the sole right to seek or obtain oil concessions in said area. At the time said agreement was executed, Anglo-Iranian held the exclusive concession for Persia which constituted the remainder of the Middle East, and the Capital stock of Near East was owned by defendants Jersey, Gulf, and Socony, and by The Atlantic Refining Company, Standard Oil Company (Indiana), and Pan American Petroleum and Transport Company. Subsequently defendants Jersey and Socony purchased all the capital stock of Near East.

(c) In further implementation of the As Is Agreement, defendants Jersey and Anglo-Iranian, and Royal Dutch and Shell entered into a series of agreements embodied in "Memoranda for European Markets", dated January 20, 1930, providing the parties should control production and marketing in European countries through local agreements, to be made in each area by local cartel committees empowered to fix [11020] marketing quotas

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on a basis of 1928 performance, fix prices, allocate major customers, and penalize variations therefrom.

(d) During the year 1931, defendants Jersey and Anglo-Iranian, and Royal Dutch and Shell negotiated with defendants Gulf, Socony, Texas, and others more closely and directly to participate in the As Is programs on the basis of quotas reflecting sales positions in 1928. Defendants Gulf, Socony, and Texas, and others thereupon organized the "New York As Is Committee" to work out their respective participating sales positions.

(e) After a series of meetings in October, November and December, 1932, defendants Jersey, Gulf, Socony, Texas and Anglo-Iranian, and Royal Dutch, Shell and Atlantic Refining Company on December 15 and 16, 1932, entered into a new agreement entitled "Heads of Agreement for Distribution", revising the framework for operations under the As Is Agreement and extending the "Memorandum for European Markets" to all countries other than United States. The parties stipulated that the "Central As Is Committee" operate in London as a distribution agency while the New York committee handle "Supply As Is", i.e., all matters relating to gathering [11021] and shipping petroleum and products to areas for use and distribution under As Is quotas. Defendant Socal during 1933 commenced direct participation in this part of the conspiracy for certain restricted areas.

(f) In April, May and June 1934, the parties to the principal As Is Agreement and implementing agreements, including all of the defendants, *except Cities Service*, entered into a codifying agreement entitled

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• "Draft Memorandum of Principles", commonly called "DMOP", and a number of "Addenda" thereto, by which the allocations of quotas based on the year 1928 and determination of prices by majority rule were reaffirmed. The DMOP and addenda contained new conditions for sales of petroleum and petroleum products to competitors, regulated competitive expenditures for facilities and advertising, regulated supply and set up formulae for arriving at quotas, determining penalties and compensations for over-trading and under-trading and costs and expenses on adjustments of supply. This agreement was to be of indefinite duration and terminable on one month's notice but it was stipulated that such termination should not prevent the parties from attempting to continue to operate under As Is principles.

(g) Defendant Gulf, acting independently of the other defendants, was successful in obtaining [11022] a concession for the production of oil in Kuwait, but later was forced to take in defendant Anglo-Iranian as a partner. In 1935, oil was discovered and Gulf found it difficult to market its share of production because Gulf had agreed not to upset Anglo-Iranian's position "at any time or place" and had to recommit itself to cartel operations in Europe. On May 28, 1948, defendant Gulf entered into a 12-year contract with Royal Dutch and Shell to sell to the latter Gulf's share of crude oil produced in Kuwait. This transaction prevented Gulf from disturbing Royal Dutch, Shell and Anglo-Iranian markets in which Gulf had not become an established marketer. Shell was also able to meet its commitments in Europe and Africa and preserve its As Is position and, in addition, to supply Anglo-Iranian with oil which it needed.



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(h) Throughout the period from 1928 to the present time, defendants and other companies and persons entered into and have effectuated and adhered to a series of price-fixing agreements for determining and establishing "delivered prices" at any given destination point throughout the world, including the United States, for petroleum and products produced or refined in foreign countries, and produced or refined in the United States and exported therefrom, regardless of the actual place of origin or actual cost of transportation to such destination point. Said [11023] agreements have adopted the "U. S. Gulf Coast price" as the base upon which all of said delivered prices are calculated. Various of the agreements specify that the U. S. Gulf Coast prices are those which appear for crude oil and refined petroleum products in Platt's Oilgram, published daily in Cleveland, Ohio, and that said prices are to be added an amount representing a charge for freight and insurance from the Gulf of Mexico to the destination point, regardless of the actual point of origin or actual cost of transportation.

(i) Anglo-Iranian had, prior to May 1, 1951, a contract with the Government of Iran which contract provided for the exploitation of certain oil resources in Iran. This contract had been terminated on May 1, 1951, by an Act of the Iranian Parliament, duly signed by His Majesty The Shah of Iran. By this Act the Government of Iran nationalized all of the oil resources and installations related thereto within her borders. The Act further provided that twenty-five per cent of the purchase price of future sales of said oil should be set aside as a fund to compensate Anglo-Iranian for

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such of its properties as had been nationalized. Following the aforesaid nationalization, the defendants and other companies and persons, in furtherance and effectuation of the aforesaid combination and [11024] conspiracy and monopolization, determined and agreed that no one of them or any other person or persons should deal in Iranian petroleum and products until such time as they could effect a resolution that would substantially preserve to them the allocation of resources, production, production facilities and capital investments determined by the aforesaid agreements. In furtherance of said conspiracy various things were done and various acts performed, the principal ones now known to the plaintiff being the following:

(1) Beginning on September 14, 1951, Anglo-Iranian caused to be published numerous threats against anyone who might participate directly or indirectly in transactions affecting Iranian petroleum and products. Said published threats were continually uttered in leading newspapers throughout the world's financial circles until August 6, 1952. The purpose and effect of such announcements, among others, were to inform all other companies and persons involved in said combination and conspiracy that they should assist in every manner possible in preventing others from dealing in any manner with Iranian petroleum and products.

(2) On May 25, 1952, plaintiff obtained from the National Iranian Oil Company, an instrumentality of the [11025] Government of Iran, an exclusive five year contract for the sale of Iranian petroleum and products in the United States, said contract call-

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ing for the sale of 15 million metric tons of crude oil at prices substantially below the defendants' posted Internataional Gulf of Persia price, to wit: \$4.14 per ton below the then posted price of \$12.89 per ton for the first 3 million tons and \$2 per ton below the posted price for the remaining 12 million tons. When these facts became known to the defendants, Anglo-Iranian through its New York attorneys caused to be sent to plaintiff and others on August 1, 1952, letters threatening action against them for any purchase, acquisition or disposal (or any action in aid of such purchase, acquisition or disposal) of Iranian petroleum and products, asserting that any such dealing in Iranian petroleum and products would be contrary to international law. In making this threat Anglo-Iranian well knew or had reason to know, that it was unwarrantedly asserting claims to natural resources belonging to the sovereign State of Iran, when it had, in fact under established principles of international law only a claim for compensation against the State of Iran for the properties nationalized. By thus in effect labelling [11026] Iranian petroleum and products stolen property and threatening to take action against anyone who might seek to deal in such goods, Anglo-Iranian put the world on notice that it would oppose and block any attempts to produce, transport, finance or market Iranian petroleum and products anywhere in the world. Anglo-Iranian sought and, with the aid of the other defendants and others, achieved an effective boycott of Iranian oil. The defendants' purpose was so to weaken the Iranian economy as to force the Iranian Government to return its oil concessions,

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if not to Anglo-Iranian in whole, at least to the defendants jointly, excepting Cities Service, under such terms as would preserve the essential allocations previously agreed upon and described hereinabove.

(3) In furtherance of their boycott of Iranian oil and maintenance of their fixed posted International Gulf of Persia price the defendants caused the knowledge to be disseminated among tanker operators that any tanker operators participating in the delivery of Iranian oil would be forever black-listed from transporting petroleum and products owned by defendants and further that defendants would seek to make it impossible for such tanker operators to secure bunker space for their tankers in the course of the movement of Iranian petroleum and products or, for that matter, for tankers operated by them [11027] which might be used for other purposes.

(4) In aid of their common conspiracy with Anglo-Iranian the defendants Jersey, Texas, Socal, Gulf and Socony refused to purchase Iranian oil from plaintiff notwithstanding that plaintiff offered substantial quantities of petroleum and products at prices far below the posted prices and notwithstanding that petroleum and products were critically short throughout the world at this time not only because of the withdrawal of the Iranian oil but also because of numerous other factors including normally increasing consumption and the extraordinary military demand occasioned by the Korean conflict. Defendants further reinforced their boycott of Iranian

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petroleum and products in pursuance of their monopoly and conspiracy in restraint of trade by indicating that they would not look with favor upon any of their subsidiaries, agents or purchasers who dealt either directly or indirectly in Iranian petroleum and that if they purchased this petroleum, they would in the future be barred from purchasing petroleum and products owned or controlled by defendants.

(5) Defendants or some of them caused normal and customary financial services necessary to the transaction of international business to be denied to plaintiff. The Chase Manhattan Bank, then the Chase National Bank, refused plaintiff a \$200,000 irrevocable letter [11028] of credit, notwithstanding the fact that plaintiff met all of the conditions originally proposed. Similarly, plaintiff was refused the same routine financial service by the Marine Midland Trust Company of New York, notwithstanding the fact that he offered to comply with whatever conditions the Bank reasonably requested.

(6) Prior to 1952 Cities Service had been unable to obtain a source of crude oil in the Middle East because of the aforementioned allocation agreements. Cities Service indicated to plaintiff a great interest in purchasing his entire supply and obtaining a managerial contract for all Iranian oil exploitation and production from the Iranian Government. It was contemplated that in return for its services Cities Service would receive payment in oil, thus assuring it a crucially needed source of supply. Cities Service asked if plaintiff would be able to obtain an invitation from the Iranian Government to itself re-



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questing that Cities Service inspect the Iranian oil installations for the purpose of determining whether they could be profitably reactivated. On July 26, 1952, plaintiff in audience with Dr. Mossadegh obtained the Prime Minister's written invitation addressed to W. Alton Jones, President of Cities Service. Jones accepted the invitation and on or [11029] about August 16, 1952, together with plaintiff and numerous technical assistants from Cities Service left for Iran. There, after a full inspection, Jones determined that the installations could be reactivated. He proposed to the National Iranian Oil Company that over a course of years Cities Service would exploit and manage the Iranian oil resources while undertaking to train Iranian technicians in the United States and building a tanker fleet for the Iranian Government so that ultimately the Iranians could exploit and manage for themselves their valuable oil resources. Learning of Cities Service's intention to force itself in this manner into the Middle East oil complex, Gulf and Anglo-Iranian, during late August or early September, 1952, conspired to and did offer Cities Service and Cities Service did accept a vast long term supply of Kuwait oil at a price far below the posted International Gulf of Persia price, to wit: a 12 year contract for 90,000,000 barrels of oil at \$1 per barrel, or the equivalent, approximately, of \$7.40 per metric ton at a time when the posted price was approximately \$12.89 per metric ton. At this time and by these acts Cities Service, without the knowledge of plaintiff, entered into combination and conspiracy with the other defendants and in furtherance of defendants' scheme broke off

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[11030] further negotiations with plaintiff and the National Iranian Oil Company and refused to enter into any contract or arrangement with reference to Iranian petroleum. As a further consequence of this conspiracy Cities Service eventually gained a participation in the Consortium Agreements relating to Iranian oil hereinafter described. In conspiracy with the other defendants Cities Service concealed these facts from plaintiff. Plaintiff did not learn of this conspiracy until May 6, 1954.

(7) On or about July 12, 1952, acting through Addison Brown, doing business as Oil Merchants Company of Chicago, Illinois, a qualified government bidder, plaintiff obtained a firm order from the United States Air Force for from 126,000,000 to 210,000,000 gallons of aviation gasoline. This gasoline was then desperately needed in Korea. The price at which the gasoline was offered was substantially below the then current price which the United States Air Force was being required to pay and in addition there were substantial savings in freight since the gasoline was in Iran, more than half way to Korea as against gasoline shipped from the Gulf of Mexico. The United States Air Force accepted the gasoline FOB Abadan, Iran, delivery to be made to Korea by United States Military tankers. However, Anglo-Iranian [11031] refused to modify in any way its effective boycott of Iranian oil notwithstanding plaintiff's warranty that the gasoline would be restricted to direct sales of the United States Military forces.

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(8) During 1952 and 1953 plaintiff entered into negotiations with numerous other prospective purchasers all of whom ultimately concluded that the risks of extended litigation with Anglo-Iranian and future economic sanctions by the other defendants, their subsidiaries and agents were too great for them to assume with their limited financial resources and in view of their reliance upon the defendants as future sources of supply.

(9) Finally, on October 29, 1954, Anglo-Iranian, Jersey, Soçal, Texas, Gulf and Socony, with others, in furtherance and effectuation of the aforesaid combination, conspiracy and monopolization, entered into the so-called Consortium Agreements, which agreements divided up substantially all of the Iranian oil production, thereby bringing to final and complete frustration plaintiff's efforts to market Iranian oil in free competition. Shortly after the signing of the initial Consortium Agreements Cities Service was permitted to purchase a participation in the Consortium.

(j) Many of the defendants have acted through subsidiary corporations owned or controlled by them, either separately or jointly, which are not named as defendants herein in performing and [11032] carrying out the unlawful agreements and monopolization hereinbefore described, and have caused, directed and required said subsidiary corporations to conduct their respective business operations in conformity with said unlawful agreements and monopolization. In many instances the participation in ownership of the jointly owned companies

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was identical with percentages of marketing quotas under the As Is agreements. Each of the joint owners has agreed not directly to engage in operations in the area covered by the jointly owned company.

V.

EFFECTS

11. The alleged combination and conspiracy and monopolization hereinbefore charged have had, among others, the following direct effects:

- (1) Interstate and foreign commerce of the United States in petroleum and products has been unreasonably restrained;
- (2) Imports of petroleum and products into the United States, and exports of petroleum and products from the United States have been restrained and monopolized;
- (3) Production of petroleum and development of petroleum resources in the United States have been restricted and suppressed as a result of the illegal activities of defendants relating to imports of petroleum and products into, and [11033] exports of petroleum and products from, the United States;
- (4) Defendants have acquired to the exclusion of others the power to import into the United States large quantities of foreign petroleum and products, at costs substantially below the costs of petroleum and products to other competing American oil companies, and defend-

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ants thereby possess substantial competitive advantage over other competing American oil companies in the manufacture and marketing in the United States of petroleum products;

(5) Defendants have been enabled successfully to maintain and increase the domestic market prices at which they sell petroleum and products imported by them into the United States, and products made by them from petroleum imported into the United States, at levels higher than would exist except for defendants' monopoly control over said imports;

(6) World prices for petroleum and products have been fixed, and world markets have been divided among the parties to the combination and conspiracy and monopolization above charged;

(7) Prices charged by defendants to agencies of the Federal Government for foreign petroleum and products required for military and defense purposes have been increased and maintained at [11034] high and artificial levels;

(8) Plaintiff was completely and utterly frustrated in selling the 15 million metric tons of Iranian oil which he had under contract from the National Iranian Oil Company, and was prevented by the conspiracy from obtaining any of the fruits or benefits of said contract. Plaintiff has suffered damage and injury in his property in the amount of \$36,420,000 and is entitled under Section 4 of said Sherman Antitrust, to threefold damages in the amount of \$109,260,000.



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## VI.

## PRAYER

WHEREFORE, the Plaintiff prays:

1. That the aforesaid combination and conspiracy and monopolization be adjudged and decreed to be unlawful and in violation of Sections 1 and 2 of the Sherman Anti-Trust Act and of Section 73 of the Wilson Tariff Act.
2. That judgment be entered against defendants and each of them for \$109,260,000, being the amount equal to three times the damages sustained by plaintiff, with interest thereon.
3. That judgment be entered against defendants and each of them for the amount of reasonable attorneys' fees and the costs and disbursements of this action.
4. That plaintiff be granted such other, further and different relief as the nature of the case may require [11036] and as may seem just and appropriate to this Court.

Dated: New York, New York  
June 11, 1956.

CASEY, LANE & MITTENDORF

By SAMUEL M. LANE

A Partner

Attorneys for Plaintiff

43 Exchange Place

New York 5, New York

**Affidavit of Arthur H. Dean, June 27, 1956**

**[12154] UNITED STATES DISTRICT COURT**

**SOUTHERN DISTRICT OF NEW YORK**

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**[SAME TITLE]**

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STATE OF NEW YORK }  
COUNTY OF NEW YORK } ss..

ARTHUR H. DEAN, being duly sworn, deposes and says:

I am an attorney at law, a member of the Bar of this Court and a member of the firm of Sullivan & Cromwell, attorneys for defendant Standard Oil Company (New Jersey) (hereinafter called Jersey), and am fully familiar with this action.

I make this affidavit in support of Jersey's motion under Rule 6(b) of the Federal Rules of Civil Procedure for an order extending time to move, answer or otherwise plead to the complaint until October 30, 1956, and for a temporary extension of time and stay of further proceedings other than depositions heretofore noticed until 20 days after entry of an order upon the motion. I am authorized by the attorneys for named defendants Cities Service Co., Standard Oil Company of California and The Texas Company to state that, on behalf of their respective clients, they join in this application.

[12155] This is a treble damage action under the United States antitrust laws in which plaintiff seeks a judgment for \$109,260,000, plus costs and attorneys' fees, for alleged damage to him arising from an alleged conspiracy in violation of Sections 1 and 2 of the Sherman Act and Section 73 of the Wilson Tariff Act.

*Affidavit of Arthur H. Dean, June 27, 1956*

The action was commenced by the filing of the complaint on June 11, 1956. Copies of the summons and complaint were served or attempted to be served on each of the named defendants herein on June 12, 1956. Under Rule 12 of the Federal Rules of Civil Procedure, the time to move, answer or otherwise plead to the complaint now expires on July 2, 1956.

The only other proceedings in this action thus far have been the service, on June 27, 1956; of separate notices by defendants Standard Oil Company (New Jersey), Socony Mobil Oil Company, Inc. and The Texas Company to take the deposition of plaintiff pursuant to the Federal Rules of Civil Procedure commencing July 9, 1956.

On June 27, 1956, subsequent to the service of the above mentioned Notices of Deposition, a request was made of the attorneys for plaintiff on behalf of various of the attorneys for the named defendants for the extension of time herein sought. This request was refused, thereby making the present application necessary.

This application is sought to be brought on by order to show cause because of the shortness of time until July 2 in order to obtain temporary relief until the application may be heard and determined. No previous application for this relief has been made to this Court or to any Judge thereof.

[12156] Apart from the amount of recovery sought (in excess of 109 million dollars), the significance of this action to the defendants, the extraordinary complicated questions of fact and law presented, and also the problems of international complexity and importance necessarily involved, are indicated by reference to the complaint, a print of which is attached hereto for the convenience of the Court.

Plaintiff asserts in his complaint that he was damaged by an alleged conspiracy among the named defendants to

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frustrate his efforts to sell Iranian crude oil in the United States under a purported contract which he allegedly obtained from the National Iranian Oil Company on May 25, 1952 following the nationalization in 1951 by the Iranian Government of the oil properties in that country. The allegations with respect of this purported conspiracy are set forth in subparagraphs 10(i)(1) through (9), at pages 11 through 17 of the attached print of the complaint. Apart from the factual problems involved in these paragraphs, plaintiff expressly invokes "principles of international law" in the allegations of subparagraph 10(i)(2). Mention is also made in subparagraph 10(i)(9) of an agreement entered into by various of the defendants and others with the sovereign Government of Iran in 1954. The Court will no doubt recall the international concern stemming from the nationalization of the oil properties in Iran that Iran would go behind the Iron Curtain and the Iranian oil resources lost to the free world. Efforts were thereafter made for a period of some three years by the United States Government, as well as the British Government, to effect a satisfactory resolution of the problem, including special missions by Honorable Averell Harriman and Honorable Herbert [12157] Hoover, Jr. The problem was resolved only by the signing of the above mentioned agreement with the assistance of the United States State Department, the American oil companies having been told by the Secretary of State that their participation would be "in the national interest." The resolution of the problem by this means was officially hailed by the United States Government as well as by the British and Iranian Governments. President Eisenhower (in letters to Mr. Hoover and to Ambassador to Iran Loy W. Henderson released August 7, 1964) described the agreement as promising to further "our objective of main-

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taining peace in the area", and said that the solution would "also contribute to our good relations with our European allies and our friends in other parts of the world as well." These facts highlight the complex international relationships into which plaintiff seeks to thrust his claim.

In addition, however, plaintiff has attempted to introduce into his complaint an alleged conspiracy dating back to 1928, the allegations of which not only have nothing to do with his alleged contract for the sale of Iranian oil in the United States but, indeed, cover a large portion of the world. For this purpose, plaintiff has rigidly copied many of the allegations contained in a civil antitrust action filed by the United States in April 1963 against 5 of the named defendants herein, which is now at issue and pending in this Court. Alleged marketing agreements in 1928 and the early 'thirties in various foreign countries, as well as 1928 and 1935 production ventures in such areas as Iraq and Kuwait, form part of the plaintiff's allegations in this respect.

These allegations indicate the extent of the morass of alleged facts, as well as the complicated legal problems, [12158] into which plaintiff's complaint leads.

The purported contract upon which plaintiff seeks to base his case is alleged (subparagraph 10(i) (2), page 12 of print) to have been made between plaintiff on the one hand and the National Iranian Oil Company on the other during the period that Mossadegh was Prime Minister of Iran. None of the defendants is claimed to have been a party to the contract or to have participated in any way in its execution or in the circumstances surrounding its execution. Plaintiff has avoided any clear statement of the terms of his alleged contract and no part of the contract is set forth in his complaint. One of the purposes of the deposition of plaintiff which has been noticed by Standard Oil



*Affidavit of Arthur H. Dean, June 27, 1956*

Company (New Jersey) is to ascertain the terms of this alleged contract and all the circumstances surrounding the purported transactions.

It is my intention to move forward with this deposition as expeditiously as possible in part for the purpose of determining facts which are presently unknown to defendant Standard Oil Company (New Jersey) and which are necessary to permit defendant Standard Oil Company (New Jersey) to determine at the outset the manner in which it should defend the action. In addition, the deposition will be used to help accomplish the discovery to which defendant Standard Oil Company (New Jersey) is entitled by the Federal Rules of Civil Procedure.

In view of the character and magnitude of the factual and legal problems involved, defendant Standard Oil Company (New Jersey) requires, and I am authorized and requested to state that each of the other named defendants joining in this application requires, an extended period of time for full consideration of the motions which each may [12159] be entitled to make and the answer which each may be required to make in order appropriately to formulate the issues in this case.

These considerations involve a determination as to motions, among others, to reduce the extraordinary scope of the litigation portended by the complaint. Preparation of the answer involves not merely the question of admissions and denials, based on examination of the facts that may be available throughout the large organizations of the named defendants, but also the determination of appropriate affirmative defenses which may prove to be very significant in the action.

It is in keeping with the spirit and intent of the Federal Rules of Civil Procedure that counsel, in order to fulfill their

*Affidavit of Arthur H. Dean, June 27, 1956*

obligations to their clients and the Court, be given the opportunity at this crucial stage of the action to develop and consider all the factors appropriate to the task of moving or answering, and to come forward in an orderly fashion with a studied and thorough presentation of all appropriate objections and defenses to the action.

By reason of the nature of the complaint herein, such opportunity is not available within the 20-day period provided by the Federal Rules. An extension of time to move, answer and otherwise plead to the complaint is therefore not only just but necessary in order that defendants not be prejudiced and that the proceedings go forward in an orderly fashion.

Under the foregoing circumstances I respectfully submit that the present request for 120 days is appropriate to the nature of the case. In addition, of course, by [12160] virtue of the scheduled depositions, the action will continue to progress during the period of extension.

WHEREFORE, I respectfully request that the relief prayed for in the Order to Show Cause be granted in all respects.

(Sworn to by Arthur H. Dean on June 27, 1956.)

**Order to Show Cause and Affidavit of George S. Leisure,  
June 27, 1956**

[12144] IN THE  
UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK

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[SAME TITLE]

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**ORDER TO SHOW CAUSE**

Upon the annexed affidavit of George S. Leisure, sworn to on June 27, 1956, and upon the complaint herein, it is

ORDERED, that the plaintiff show cause at a Motion Term of this Court to be held in Room 506, United States Court House, Foley Square, New York, N. Y., on the 3rd day of July, 1956, at 10:00 o'clock in the morning or as soon thereafter as counsel can be heard, why an order pursuant to Rule 6(b) of the Federal Rules of Civil Procedure should not be made and entered herein extending the time of defendant Socony Mobil Oil Company, Inc., to answer or otherwise move with respect to the complaint until and including October 30, 1956; and it is further

ORDERED, that pending the hearing and determination of this motion and until 20 days after the entry of an order thereon, all further proceedings other than depositions heretofore noticed be and the same are hereby stayed with respect to defendant Socony Mobil Oil Company, Inc.; and it is further



*Order to Show Cause and Affidavit of George S. Leisure,  
June 27, 1956*

[12145] ORDERED, that service of a copy of this order and the papers upon which the same is granted, on the attorneys for the plaintiff on or before 3:00 P.M. of June 29, 1956, shall be sufficient service of this order.

Dated June 28th, 1956.

RICHARD N. LEVET  
U. S. D. J.



*Order to Show Cause and Affidavit of George S. Leisure,  
June 27, 1956*

[12146] IN THE  
UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK

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[SAME TITLE]

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AFFIDAVIT

STATE OF NEW YORK }  
COUNTY OF NEW YORK } ss.:

GEORGE S. LEISURE, being duly sworn, deposes and says:

1. I am a member of the firm of Donovan Leisure Newton & Irvine which, together with the firm of Dorr, Hand, Whittaker & Peet, are attorneys for defendant Socony Mobile Oil Company, Inc. (hereinafter called "Socony"), and I make this affidavit on behalf of both firms in support of defendant Socony's motion for an order to show cause why an order should not be made extending its time to answer or otherwise move with respect to the complaint in this action until October 30, 1956, and for a stay of further proceedings herein with respect to the defendant Socony other than depositions already noticed until 20 days after the determination of this motion and the entry of an order thereon.

2. This action was commenced on June 11, 1956. [12147] Defendant Socony was served on June 12, 1956, and at the present time Socony's time to answer or other-



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wise move expires on July 2, 1956. We have been unable to secure an adequate extension of time by stipulation. This motion is made on the ground that the investigations of the law and of the facts necessary to determine what motions directed to the complaint or what answer should be made cannot be completed by July 2, 1956 or for a substantial period thereafter. Notice of the taking of plaintiff's deposition upon oral examination was served by Socony on June 27, 1956, to commence on July 9, 1956.

3. This is an action for treble damages brought under the provisions of Section 4 of the Clayton Act, 15 USC Section 15, based on alleged violations of Sections 1 and 2 of the Sherman Act, as amended, and Section 73 of the Wilson Tariff Act, 15 USC Sections 1, 2 and 8. Plaintiff claims \$109,260,000 in damages.

4. The subject matter of the alleged violations of the Sherman and Wilson Tariff Acts which plaintiff claims have injured him in his business or property cover a period of some 32 years and embrace a substantial portion of the "archaeology" of the oil industry outside the United States for that period. It also covers the subject matter of very difficult and important negotiations with the Government of Iran from 1951 to 1954 to which the Government of the United States was a party. There ultimately emerged from these negotiations the "Consortium" mentioned in the Complaint in which defendant Socony participated under the auspices of the Government of the United States and after it was advised by the Secretary of State at the direction of the National Security Council that its participation in the proposed Consortium would be in the national interest

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of the United States. (This is a matter of public record. See letter, Secretary of State to Chairman, House Committee on the Judiciary, July 13, 1955 set forth in *Hearings before Subcommittee No. 5 of the Committee on the Judiciary* [12148] *House of Representatives*, 84th Congress, 1st Session, Part II Ser. No. 3, pp. 1556-1559 (1955)). As a result Iranian Oil again moved in volume to world markets, and the threat of Russian penetration or occupation of Iran, with its strategically vital oil reserves was avoided. In other words, this complaint, as it stands, alleges a typical "big case," the special problems raised by which have been the subject of extended study and discussion, not only among practicing lawyers but also by a special committee of the Judicial Conference of the United States. (See Report of the Committee of the Judicial Conference, "Procedure in Antitrust and Other Protracted Cases" (1951).) But this case goes even beyond the complexities of domestic anti trust cases in that it involves international law, the rights of sovereign nations and also the diplomatic relations between the Government of Iran and the Government of the United States, Great Britain, the Netherlands and France.

5. My firm and Dorr, Hand, Whittaker & Peet, headed by Goldthwaite H. Dorr, were retained to represent Socony promptly after service of the complaint. Since that time our firms have had several of our respective partners and associates devoting as much time to the case as their numerous other commitments will permit.

6. In cases of this kind it is important at the outset to do everything possible to keep them in manageable form.

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An important element for accomplishing this end is the various motions which may be directed to a complaint. We have considered a number of such motions which might be appropriate. But we are anxious to make only such motions, if any, which will serve the purpose of helping at the outset possibly to reduce the scope and complexity of this litigation. The analysis of this complaint and the related law and the consideration and preparation of motions is a time-consuming job. Rather than make such motions before a complete and careful analysis is possible, as we might be forced to do in the event our time is not extended, [12149] we would prefer to save the time of this Court by giving further study to the problems to the end that the motions, if any, which may eventually be made would serve a useful function and not consume the time of the Court and the parties unnecessarily.

7. Similarly, we need additional time to make the investigations necessary to prepare an answer. Rule 11 of the Federal Rules of Civil Procedure requires that every pleading of a party represented by an attorney shall be signed by at least one attorney of record in his individual name. Rule 11 further states:

" . . . The signature of an attorney constitutes a certificate by him that he has read the pleading; that to the best of his knowledge, information, and belief there is good ground to support it; and that it is not interposed for delay. If a pleading . . . is signed with intent to defeat the purpose of this rule, it may be stricken as sham and false and the action may proceed as though the pleading had not been

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served. For a wilful violation of this rule an attorney may be subjected to appropriate disciplinary action."

It has been stated in the Federal District Court for the Eastern District of New York that:

"The purpose of the signature of 'at least one attorney of record in his individual name' is to hold the attorney of record who signs his individual name to strict accountability." U. S. to Use of and for Benefit of *Foster Wheeler Corp. v. The American Surety Co.*, 25 F. Supp. 225 (1938).

8. We do not see how we can possibly be sufficiently advised as to the controlling facts in this case, which range over international transactions as well as international law, to interpose an answer that will adequately and fairly state the position of our client by July 2, 1956. Socony and its subsidiary companies throughout the world employ a substantial number of persons who might conceivably have had some contact [12150] with Plaintiff or his agents. Since the service of the Complaint a diligent effort has been made to locate persons within the Socony organizations with some knowledge of Plaintiff or of his alleged offers to Socony of Iranian Petroleum and products. As of this date I am informed that no person has been found who has any such knowledge. Nor, I am informed, does plaintiff individually or doing business as "Consolidated Brokerage" appear in any of the recognized trade directories of the petroleum industry. He is apparently not regularly engaged in the oil business. It is therefore conceivable that, if plaintiff had

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any contacts with Socony, he may have used other than the usual trade channels. If such is the case it may take a substantial time to develop the facts necessary for Socony to answer his allegations.

9. We are particularly concerned with regard to Rule 8 of the Federal Rules of Civil Procedure which, in subdivisions (c) and (d) requires that all affirmative defenses be pleaded in the answer or they are waived. For example, Socony is completely unfamiliar with any contractual or other arrangements in which Plaintiff may have been interested with respect to Iranian crude oil or products and the circumstances thereof which may bear upon the interest of the plaintiff therein, or their legality, validity or enforceability, or other defenses which may exist with respect thereto.

10. We respectfully submit that in view of the approach of the summer season the requested 120 days' extension is a conservative request and if granted will in no way enlarge the length of time which will ultimately be necessary finally to dispose of this litigation.

WHEREFORE, it is respectfully requested that the relief prayed for in the order to show cause prefixed be granted in all respects, for all of which no previous application has been made.

(Sworn to by George S. Leisure on June 27, 1956.)



**Excerpts from Deposition of Gerald B. Waldron,  
October 26-28, 1959**

[6071] Q. What was it you learned with respect to the intentions of Cities Service concerning Iran, to which you have just referred? A. When?

Q. No, what. A. I learned that Cities Service was buying a substantial portion of their requirements; that they wanted a source of foreign oil; that they attempted to get foreign oil in the past and were unsuccessful; that they couldn't get their foot in the door; and that they wanted to get foreign oil.

—9505—

Q. Is that all you learned? A. We learned that Cities Service Company was interested in taking over the refinery at Abadan and all of the Iranian oil installations.

Q. Did you learn or was it your view that they had formed that concept as a result of your suggestion, or was it something that had developed in the company independently of you? A. I don't know what developed in the company independently of me.

Q. Was it your impression that you generated this notion of taking over the refinery and managing the whole Iranian oil business? A. No.

Q. You discovered that to be there when you first contacted the Cities Service people? A. Not on the first contact with them.

Q. But shortly thereafter? A. Some time thereafter.

Q. Before you went to Iran on your second trip? A. I don't believe so.

[6072] Q. You think that you only discovered that notion in Cities Service after you made your second trip? A. Yes, sir.

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—9506—

Q. Your second trip occurred when: in July or August?  
A. I believe, Judge, I left about July 12th or 13th on the second trip.

Q. Did you write yourself a letter before you left on the second trip? A. Yes.

Q. Do you remember that you wrote in that letter that Cities Service had already formed the idea of taking over the refinery? A. Yes.

Q. Then you were mistaken when you said a minute ago that you didn't learn of that, as far as the intentions of Cities Service were concerned, until after the second trip?  
A. No, Judge. I mistook your question. I thought—

Q. Will you straighten yourself and me out on it? A. Yes, sir. I thought that you meant that the idea was given to Cities Service by us.

Q. Was it? A. I believe it was their suggestion.

Q. All right. I believe you now agree with me that it was before you made your second trip to Iran that you

—9507—

were aware of it? A. Yes, sir.

Q. You had fairly close relations with the Cities Service people during the time that you were in contact with them, did you not? A. Yes, sir.

Q. Indeed they were exceedingly close, weren't they?  
A. Yes, sir.

Q. You had access to the offices of Cities Service? A. Yes, sir.

Q. After you first established your first contact? A. Yes, sir.

*Excerpts from Deposition of Gerald B. Waldron,  
October 26-28, 1959*

Q. And your first contact was some time in July, was it not? A. Yes.

[6073] Q. Early in July? A. I can't give you the date.

Q. Do you have a diary of the events of that time? A. No, sir.

Q. You gave a great many dates during the examination by other counsel in this case. Were they all from memory? A. I believe so.

Q. You have a fairly vivid recollection, then, of the events that occurred during 1952 and 1953? A. Yes, sir.

Q. Among the people that you met at Cities Service was Mr. Lowe? A. Yes.

Q. Whom else? A. Mr. Watson, Mr. Jones, Mr. Boyd and Mr. Dubov, Mr. Larry, Mr. Shaw. That's all I recall at the moment.

Q. You had known Mr. Shaw before the middle of July of 1952, didn't you? A. Yes.

Q. You knew him from Denver, didn't you? A. Yes.

Q. Is he the only Cities Service man that you knew before the Iranian transaction developed? A. Yes, sir.

Q. These people that you mentioned: You saw some of them in New York? A. Yes, sir.

Q. And you saw some of them in Iran, later? A. Yes. I just recall—I can add some to that list if you want.

Q. I will give you a chance to do that. You saw some of them in Paris? A. Yes, sir.

Q. Who are the additional names that you want to mention? A. Mr. Frame, Mr. Heston, Mr. Whetsel. That's all I recall at the moment.

*Excerpts from Deposition of Gerald B. Waldron,  
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Q. Is there anybody at Cities Service that you wanted to see, that you couldn't get access to? A. When?

Q. During 1952? A. Well, after the return from our third trip, the curtain was sort of rung down on our association with Cities Service Company.

[6074] Q. Let us say until your return from your third trip. A. Yes.

Q. "Yes," meaning what? A. That we had access to them.

Q. Anybody you wanted at Cities Service? A. Well, within reason.

Q. Within reason. I mean, you never felt that there were any door slammed in your face? A. We did after the third trip.

Q. I said, before your third trip. A. No, sir.

Q. Before your return from the third trip. A. That's right. —9510—

Q. And your relations were cordial? A. Yes.

Q. Were you reimbursed for your expenses on your second trip? A. Yes.

Q. By Cities Service? A. By Mr. Carter.

Q. By Mr. Carter. And were you reimbursed for your expenses for your third trip? A. Yes, sir.

Q. By Mr. Carter? A. Yes, sir.

Q. And then, were you compensated some time later in 1953 for your loss of time? A. Well, we were compensated at a little later date for loss of business being experienced by not being with our businesses in Denver.

Q. And also by Mr. Carter? A. Yes, sir.

Q. Did you, until the return from Iran on your third trip—which I take it was more or less approximately the

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—9511—

same time that Mr. Jones returned from Iran, wasn't it?  
A. I believe I returned previous.

Q. Within a short space of time? A. Well, I don't know precisely when he returned.

Q. Let me just put it this way: Your third trip to Iran corresponded to Mr. Jones' trip to Iran? A. Yes, sir.

Q. So when you say after your return from your third [6075] trip, you could just as well say after Mr. Jones' trip to Iran? A. Well, as I say, I don't know when he returned.

Q. All right. After your return from your third trip is the period you want to fix as a change? A. Yes.

Q. Until that time, did you have any impression that Cities Service was boycotting you? A. Upon my return——

Q. No, no. Until and during the peroid prior to your return from Iran on your third expedition—— A. Yes.

Q. —did you have that impression, that Cities Service was boycotting you? A. No, sir.

Q. Or your associates? A. No, sir.

—9512—

Q. Or Iran? A. No, sir.

Q. Or Iranian Oil? A. No, sir.

Q. In your complaint, you put Cities Service in a separate category from all the other defendants, don't you?

Mr. Lane: The complaint speaks for itself, Judge.

Mr. Rifkind: I think I am entitled to an answer to that.

Q. What do you say? A. May I have the question again, Judge?



*Excerpts from Deposition of Gerald B. Waldron,  
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Q. I say, in your complaint don't you put Cities Service in a separate category from the other defendants? A. I don't believe so.

Q. Do you put them into the conspiracy which you allege, which you say began in 1928? A. No, sir.

Q. You don't put them into this conspiracy until a very much later date, isn't that right? A. That's correct.

Q. And what is the later date that you pick as the date on which you said they joined this conspiracy of the other defendants? A. The latter part of 1952 or the first part of 1953.

[6076] Q. And what is the event which you believe justifies you in saying that they joined this conspiracy? A. The event was when they made the arrangements with Gulf Oil Corporation to take oil from Kuwait.

Q. It is that event which led you to believe that Cities Service joined the conspiracy? A. As well as their ending up in the International Oil Consortium in Iran.

Q. That came later? A. Yes.

Q. So I say, what is the event which is the initial step in your belief, which constituted their entry into this conspiracy? A. When they decided to make common cause with the cartel companies in stopping Iranian oil from moving by making a contract with Gulf Oil Corporation.

Q. The event that you know of is the making of the contract with the Gulf Oil Company? A. Yes, sir.

Q. And that is why you put Cities Service into this complaint as a defendant; is that right? A. That's one reason.

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Q. And the other reason is the Consortium? A. The Consortium. That's all the reasons that I know of at this time.

Q. You have given this matter rather extensive attention in the last few years, have you not, Mr. Waldron? A. Yes, Judge.

Q. You have talked to a great many people? A. Yes, sir.

Q. And you have investigated it in a great many areas? A. We haven't had the privilege of investigating Cities Service's records.

Q. Oh, I understand that. But you have done all that you could do to find out what the facts are? A. Yes, sir.

Q. And of this morning you are telling me—and I assume truthfully—that the two events which you identify as causing you to name Cities Service as a defendant are [6077] the contract with Gulf and the entry into the Consortium? A. Yes, sir.

—9515—

Q. I believe in your complaint you allege that Anglo-Iranian and Gulf, in late August or early September, conspired to offer Cities Service a long-term supply of Kuwait oil at a price far below the international posted price; is that right? A. Yes, sir.

Q. And that Cities Service accepted this offer? A. Yes, sir.

Q. And I believe you also allege in your complaint that Cities Service was thereafter, as a consequence, permitted to buy a participation in the International Consortium in Iranian oil? A. Yes, sir.

Q. Do you have any evidence that you can point to, Mr. Waldron, that Gulf and Anglo-Iranian in fact conspired

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to make such an offer? Have you anything in writing?  
A. No.

Q. Did Anglo-Iranian or any officer of the Anglo-Iranian Company orally say so to you or to anyone that you know of? A. No, sir.

Q. Did Gulf or any officer of Gulf say so to you or to anyone that you know of? A. No, sir.

—9516—

Q. So I take it that you have neither written nor oral evidence that Anglo-Iranian and Gulf in fact conspired to make such an offer to Cities Service? A. All I know is, Judge, the deal was consummated.

Q. That is right. You know that a contract was made?  
A. Yes, sir. There must have been an offer and an acceptance.

Q. I didn't ask you about an offer and acceptance from Gulf to Cities Service. I asked you whether you had any writing or any oral proof that Anglo-Iranian and Gulf conspired to make such an offer?

Mr. Lane: In August, 1952.

[6078] Q. (Continuing) At any time. Is your answer still in the negative? A. Yes.

Q. Have you any written evidence that the offer from Gulf to Cities Service was made in August or September of 1952? A. There was an announcement in the paper to that effect.

Q. Have you got that clipping? A. I don't know. I believe I do.

—9517—

Q. Will you produce it? A. I will search for it.

*Excerpts from Deposition of Gerald B. Waldron,  
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Q. Is it your recollection that this announcement said that Gulf had made an offer to Cities Service? A. No, Judge. Perhaps I was mistaken there. It was the announcement of the completion of the deal.

Q. You believe that that was announced when? A. I believe that it was announced the middle of 1952.

Q. Now listen carefully, Mr. Waldron, to my question. Have you any writing evidencing the assertion that you have made that in August or September, 1952, an offer for Kuwait oil was made by Gulf to Cities Service? A. Well, Mr. Jones stated in Iran that he had an offer for—

Q. No. I asked you about written evidence. A. I see.

Q. Have you any writing? A. I don't believe so.

Q. I am going to ask you about oral proof. Has any such statement—that an offer was made by Gulf to Cities Service in August or September, 1952—was such a statement made to you by any officer of Cities Service, or made  
—9518—

to anyone? A. Yes.

Q. By whom? A. Mr. Jones.

Q. And what did he say and where did he say it and to whom did he say it? A. The statement was made in Iran.

Q. By— A. At the Pamahy House, in the library. Mr. Parkhideh was there, Mr. Nelson, Mr. Jones and myself.

[6079] Q. What did Mr. Jones say? A. He said he had an offer from across the Gulf at a dollar a barrel. It was on his desk in New York.

Q. He had an offer from whom? A. He expressed it, across the Gulf.

Q. He had an offer of a dollar a barrel from across the Gulf? Is that what you say? A. Yes, sir.

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Q. Did he say in his statement when he had received that offer? A. He merely said that he understood there was an offer on his desk in New York.

Q. Did you understand that to mean that the offer had been made to him in August or September of 1952? A. I

don't know when the offer was made. —9519—

Q. You allege in your complaint that the offer was made in August or September, 1952, do you not? A. Yes.

Q. What did you have to support that allegation of your complaint? A. Mr. Jones' statement.

Q. Did Mr. Jones say in the statement to which you have referred when he had received that offer? A. No.

Q. What did you have to support the allegation of your complaint that the offer for oil from Gulf to Cities Service was made in August or September of 1952? A. It was the way Mr. Jones expressed it. He said, "I understand there is an offer on my desk now in New York for oil from across the Gulf for a dollar a barrel."

Q. I asked you a minute ago whether anything that Mr. Jones said led you to believe that the offer had just been made. A. It was the attitude with which he expressed the idea that an offer was on his desk in New York.

Q. And that was the basis of your conclusion? A. Yes, sir.

—9520—  
Q. You have no other basis than that? A. Not at this time.

[6080] Q. Did you have it at the time of the event? This I assume occurred in Iran in August, you said, of 1952. A. Well, whatever the dates of my visit were.



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Q. When were you in Iran on your third visit? A. I would have to check those dates out, Judge. I have—

Q. You have forgotten? Let me refresh your recollection.

Didn't you go to Iran on your third visit on the 17th of August? A. I believe so.

Q. And that was the same trip on which Mr. Jones was with you in Iran or was in Iran? A. Yes, sir.

Q. How many days did you spend there? A. Again, I would have to check, Judge.

Q. A short period of time? A. Two or three weeks.

Q. Was Mr. Jones in August speaking about something that had occurred in early September? A. I don't know what he was referring to.

—9521—

Q. You said in your complaint that this offer was made by Gulf to Cities Service in August or September. Did Mr. Jones, speaking in August, refer to an offer that had been made to him in September? A. No.

Q. Where did you get the allegation in your complaint that the offer for Gulf Oil was made to Cities Service in August or September of 1952? A. As I have told you, Judge, it was the attitude and the timing with which Mr. Jones referred to it. He said, "I understand there is an offer on my desk in New York for oil from across the Gulf for a dollar a barrel." Now, what date it was that he said it I would have to review my dates on the trip, and I doubt if I could pull out the exact dates even now.

Q. In any event, there is nothing else that you have from which you could infer that the offer was made in August or September of 1952? A. Not at present.

Q. Did you at that time have, while you were in Iran on your third trip, any other basis for that inference, other

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[6081] than Mr. Jones' statement? A. Not while I was in Iran, no.

Q. And since you were in Iran, down to this morning, —9522—  
have you ever had any other basis for that allegation? A. Yes.

Q. And what was that? A. A newspaper article announced the contract between Gulf and the Cities Service Company, which had been kept secret for a number of months, was finally revealed.

Q. Did that article report that the offer had been made in September or August of 1952? A. I don't recall.

Q. Was your statement or your allegation, that the offer was made in September or in August of 1952, derived from that newspaper article to which you referred? A. Your question is not clear.

Mr. Rifkind: Will the reporter read it?

(Question read.)

A. That was the statement of Mr. Jones to me.

—9523—  
Q. What was there in the newspaper article which led you to believe that the offer was made in August or September of 1952? A. I would have to re-read the article, Judge, but as I remember it stated that the contract had been made many months previous, between Gulf and Cities Service.

Q. You will of course produce that article? A. I will look for it, yes.

Q. And your recollection is that it did report when the offer was first made? A. I can't say that it did—that it stated when the offer was made.

*Excerpts from Deposition of Gerald B. Waldron,  
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Q. Then will you please answer again my question:  
Did your allegation in your complaint—a verified com-  
plaint, I believe——

[6082] Mr. Lane: No.

Mr. Rifkind: No? A non-verified complaint.

Q. The allegation in your complaint that the offer was  
made in August or September of 1952:

Did that derive from anything other than Mr. Jones'  
statement in the library in Iran to which you refer? A.  
—9524—

Well, as I have mentioned, this article in the paper.

Q. You think it did derive from that article in the  
paper? A. Judge, we are talking about the offer. I don't  
know when the offer was made. All I know is the paper  
reported that a contract was consummated and—between  
Gulf and Cities Service many months previous to the an-  
nouncement.

Q. You said you did not know when the offer was made,  
just a minute ago; right? A. Yes, sir.

Q. Is that still the fact, that you don't know when the  
offer was made? A. That's right.

Q. And when you alleged in your complaint that the  
offer was made in August or September, 1952, you took  
that out of the air? A. No, sir.

Mr. Lane: I object to the form of the question.

Q. Well, when you wrote the words in your complaint  
that the offer was made in August or September, 1952,  
—9525—

did you have any more knowledge about the time of the  
offer than you have at this minute? A. Judge, I have told

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you, I don't know when the offer was made. All I know is that a contract was consummated with—

Q. That is right? A. —between Cities Service and Gulf shortly after our return from Iran.

Q. You don't know when the offer was made? A. No, sir.

Q. And you didn't know it yesterday? A. No, sir.

[6083] Q. And you didn't know it last year? A. No, sir.

Q. And you didn't know it on the 11th of June, 1956, did you? A. I didn't know the date of the offer. All I knew was that a contract had been signed.

Q. And you didn't know the date of the offer when you alleged in your complaint that it was made in August or September of 1952? A. As I have told you, I don't know the date of the final offer.

—9526—

Q. And you didn't know it when you wrote your complaint? A. As far as the offer goes, yes.

Q. I suppose that means "I didn't," is that right? You didn't know? A. That's right.

Q. What induced you to write in your complaint that the offer was made in August or September when you didn't know the fact? A. Mr. Jones said that there was an offer of oil from across the Gulf on his desk in New York, and some—many months later, the announcement of the contract was published in the paper.

Q. So you guessed that it was made then; is that right? A. Well, it was something more than a guess. Mr. Jones said that there was an offer on his desk, and six or seven months later it was announced that a contract had been signed, so it was fairly definite that the offer was made some time before the—naturally before the contract was consummated.

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Q. But you don't know how long before? A. During that period—no, sir.

Q. You didn't know if it was a month or a year or two —9527—

years? A. All I know is the contract was not consummated between Gulf and Cities Service until after my third trip to Iran.

Q. I see. But for the making of that contract—

Mr. Rifkind: I will withdraw that.

[6084] Q. Have you, other than the making of the contract itself, to which you referred—and I suppose you mean the contract with Gulf with respect to Kuwait oil—is that right? A. Yes, sir.

Q. That is the contract you are talking about? A. Yes, sir.

Q. Other than the making of that contract, have you any knowledge of any fact antedating the making of that contract? Do you follow me? A. I believe so.

Q. Have you any knowledge of any fact occurring prior to the making of that contract, which evidences a participation by Cities Service in the conspiracy which you have alleged in your complaint? A. I think I know what you —9528—

mean, Judge. Would you clarify it a bit?

Mr. Rifkind: Let me see if it needs it.  
Would you read it back again?

(Question read.)

A. I don't believe so.

Q. And you never did? A. No.



*Excerpts from Deposition of Gerald B. Waldron,  
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Q. Now, you alleged in your complaint that as a consequence of the Gulf contract Cities Service gained a participation in the Consortium; is that right? A. Well, I will have to re-read it.

Q. At the top of page 20:

"As a further consequence of this conspiracy Cities Service eventually gained a participation in the Consortium agreements relating to Iranian oil hereinafter described."

Right? A. Yes, sir.

[6085] Q. And toward the end of page 21, will you look at that subparagraph 9 of that page.

Do you see the last sentence of that page:

"Shortly after the signing of the initial Consortium agreements, Cities Service was permitted to purchase a participation in the Consortium."

—9529—

Do you remember that? A. Yes, sir.

Q. Now, what have you in writing to support the suggestion or the allegation of your complaint that Cities Service was permitted to purchase a participation in the Consortium as a consequence of what occurred prior to that time; namely, of this conspiracy to which you say Cities Service participated? A. I have nothing in writing.

Q. Have you anything oral to support that? Did anybody on behalf of Cities Service tell you so? A. No, sir.

Q. Did any of the defendants tell you so? A. No, sir. The events speak for themselves.

Q. It is an inference that you draw from the fact that you believe Cities Service was offered, was permitted to

*Excerpts from Deposition of Gerald B. Waldron,  
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purchase a participation in the Consortium; is that right?

—9530—

A. Yes, sir.

Q. Was Cities Service alone in being permitted to purchase a participation in the Consortium? A. No.

Q. How many more were permitted to purchase participations in the Consortium after the initial signing of the Consortium agreement? A. Probably either 10 or 12.

Q. Quite a number? A. Yes.

Q. Were they all members of this conspiracy? A. What conspiracy?

Q. The conspiracy that you have alleged, that you say Cities Service joined. A. Yes, sir.

[6086] Q. They were all members of this conspiracy? A. Yes, sir.

Q. How come you didn't name them as defendants? A. Because I had nothing to do with them at the time.

Q. Were they all engaged in the conspiracy to keep you from doing business with Iranian oil? A. Not when I was trying to sell Iranian oil.

—9531—

Q. Well—no, we will let that be.

While you were trying to sell Iranian oil, did Cities Service do anything to interfere with your financing of that transaction? A. You are referring to the Chase National Bank here?

Q. I am referring to nothing. I am asking you a question. A. Well, that is another question which is a yes and no answer.

Q. Well, which is the truth, yes or no? A. At the onset, when we were stopped from financing the transaction with the National Iranian Oil Company at the Chase National

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Bank, I don't believe the Cities Service Company had anything to do with it. What they had to do with financing or stopping my efforts at a later date, I don't know as yet. We haven't had the privilege of going through their records.

Q. You have no proof now that Cities Service interfered with your financing of this transaction? A. No, sir.

Q. Did Cities Service have anything to do with interfering with your getting tankers in 1952 for the carriage  
—9532—

of the Iranian oil? A. I don't believe they had anything—they didn't interfere with our trying to get tankers up until they closed the door on us. What they did after that, I don't know.

Q. So at this time you have no evidence to support an allegation that Cities Service interfered with your obtaining tankers for the carriage of Iranian oil to the American market; is that right? A. Yes, sir.

[6087] Q. Did Cities Service have anything to do with interfering with your ability to sell Iranian oil to other purchasers? A. (No response.)

Q. You hesitate. Why? A. I am trying to give you an accurate answer, Judge.

Q. All right. I should like to have an accurate answer. A. We attempted to sell oil to the Richfield Company, and there was great interest evidenced in Iranian oil in substantial quantities. We even had samples flown in for them, because their interest was so immediate, they were so ready  
—9533—

to do business. Precipitously, they turned us off and said they were not interested in Iranian oil.

Q. You think Cities Service—— A. —knowing of Cities Service's interest in Richfield, they were quite prob-

*Excerpts from Deposition of Gerald B. Waldron,  
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ably—there was quite possibly some interference on their part.

Q. You think there might be? A. Yes, sir.

Q. Have you any evidence that there was? A. Not yet.

Q. I say: Have you any evidence at this time? A. No, sir.

Q. At the time you framed your complaint, did you have any such evidence? A. No.

Q. When was the negotiation with Richfield? What year? A. I am trying to think, Judge. I can't place the exact date on it. I believe it was in the early part of—

Q. What year? Was it in 1952? A. I believe it was in 1953. I would have to check that.

—9534—

Q. The early part or the latter part of 1953? A. Probably the early part of 1953.

Q. Did Cities Service circulate threats against persons who would not boycott you or your Iranian oil? A. May I have that question again?

(Question read.)

A. I don't know.

[6088] Q. Have you any evidence that they did? A. No, not yet.

Q. Did Cities Service do anything to generate litigation against people who would buy Iranian oil? A. I don't know.

Q. Aren't you going to add the words "not yet," or is this one different from the preceding question? A. I don't know, Judge.

Q. Do you follow my question? A. Yes, sir.

Q. The last preceding question you said "I have no evidence, not yet." This question you say "I don't know." Why don't you say "Not yet"? A. Well, I was saying "Not yet,"

—9535—

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Judge, because we haven't had the privilege of looking through the Cities Service files to see what they actually did do.

Q. So when you framed this complaint what you were doing was hoping that you would find evidence to support the allegations as against Cities Service? A. No.

Q. You had no evidence to support the allegations? A. Yes.

Q. The Kuwait contract? A. Yes, and the fact that Cities Service ended up with a piece of the Consortium.

Q. Those are the two factors? A. Yes, sir.

\* \* \*

—9583—

[6116] Q. Did you ever ask for damages for the breach of the contract? A. No, sir.

Q. Is that what you are suing for in this action, a breach of contract? A. I am suing under an antitrust action—

Q. Look, please, Mr. Waldron, answer my question:

Are you suing in this action for an alleged breach of contract by Cities Service for breaking their contract with you that anything they do in Iran would be done through you? A. I believe that is a legal conclusion.

Q. Is that the basis of your claim in this action? A. I am not a lawyer.

Q. I say are you claiming for such a breach in this complaint? A. I don't believe so.

Q. You never did assert a claim of that kind before, did you? That is, that Cities Service had broken its contract with you? A. No.

Q. Did Cities Service ever negotiate with you for the

—9584—



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purchase of your oil under your contract with NIOC?

A. It was understood——

Q. No, no, no, look, answer my question yes or no. A.  
What is your question?

Mr. Rifkind: The reporter will read it.

(Question read.)

Q. Why do you hesitate? A. I am trying to understand what you mean by the word "negotiate."

Q. Did they offer to buy some of your oil under your contract, or all of it under your contract? A. The only way I can express that, Judge, is that it was understood that they would take oil under our contract, which in turn would become part of a larger overall contract which they would negotiate with the Iranians.

[6117] Q. Were they going to get oil by negotiating with the Iranians, or were they going to take oil from you under your contract? A. The idea being as much as we had an exclusive contract for the United States, that it would be merged with an overall deal that Cities Service was going  
—9585—

to make.

Q. Did they ever negotiate with you for the purchase of oil under your contract independent of any other relationship they might have with the Iranian supply? A. No.

Q. You say in your complaint that Cities Service refused to enter into a contract or arrangement with reference to Iranian petroleum. Do you see that on top of page 20? A. Yes.

Q. What was the arrangement or contract that was tendered to them—or I will withdraw the question.

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Was a contract or arrangement tendered to Cities Service by the Iranian authorities? A. I don't know.

Q. Then you don't know that they refused to enter into any contract or arrangement; isn't that right? A. It was certainly expressed to me that it was their intention to enter into it when we left here on two occasions for Iran.

Q. When you say they refused to enter into a contractual arrangement, you do not mean that one was actually—

—9586—

offered to them? A. Cities Service was making a proposal to the Iranians.

Q. Oh, when you said that they refused to enter into any contract you meant that they refused to make an offer?

A. What I mean by that is that no contract was consummated.

Q. Between Cities Service and Iran? A. Yes.

Q. I would like to know the answer to the question that I addressed to you a minute ago. Did Cities Service refuse?

[6118] Mr. Lane: A contract which was offered to them.

A. I don't know yet.

Q. Did you know at the time you framed this complaint?

A. No.

Q. So what you meant was that this complaint was a ticket which would entitle you to make this investigation?

A. All I know, Judge, is that—

—9587—

Q. No contract was made? A. —no contract was made, and in spite of the intentions which were given to me by members of the Cities Service Company.

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Q. You have been a broker for many years, haven't you? A. Yes.

Q. In the food business? A. Yes.

Q. Have there been lots of times when people expect to make contracts and don't make them? Has that not been your experience? A. It has happened.

Q. In fact, brokerage involves a very considerable amount of activity, doesn't it, in bringing two people together? A. Yes.

Q. And sometimes the deals do not go through? A. There is usually a good reason for them not going through.

Q. Maybe there is no meeting of the minds? A. Or maybe the man gets a better deal from myself.

Q. That's right. So there is not a meeting of the minds;  
—9588—

isn't that right? A. Yes, and as I say——

Q. Sometimes the seller refuses, and sometimes the buyer refuses? A. And sometimes the seller comes in, another seller comes in with a cheaper price.

Q. That is right, and sometimes both sides decide that this is not an opportune time to make a deal; is that right? A. I suppose so.

\* \* \*

[6146] Q. Isn't that a correct statement of affairs, that with respect to the entire conspiracy recited in subdivisions 8 and 9, down to Kuwait, down to the making of the Kuwait contract, you have no complaint with respect to Cities Service? A. In general, I would say that is correct, sir.

Q. Now, let's look at Section 10. It would necessarily follow from your last answer that Cities Service, down to Kuwait, was not party to any of the agreements that you

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allege in Section 10 of your complaint, A through H; is that right? Cities Service was not a member of the so-called Achnacarry agreement? A. No.

Q. Or the "As Is" agreement? A. No.

Q. Or the pool association? A. No.

Q. Or the agreements recited in subdivision (b) of Section 10? A. No.

Q. Nor in the agreements recited in subdivision (c) of Section 10? A. Not as far as I know. —9637—

Q. Nor (d) of Section 10? A. No.

Q. Nor (e) of Section 10? A. No.

Q. How about (f)? A. No.

Q. There you expressly recited that it did not include Cities Service; did you not? A. Yes, sir.

Q. You said "except Cities Service"? A. Yes, sir.

Q. And the same is true of (g), is it not, that Cities Service was not a party to any of the agreements recited therein? A. That is right.

Q. And (h)? A. I think (h) is a little different, Judge.

[6147] Q. Tell me in what respect. Let's look at it. A. First of all, it takes in the period from 1928 to the present time.

Q. Yes. A. It is my contention that Cities Service, as —9638—

I told you before, cast their lot with the international petroleum cartel to not employ Iranian oil.

Q. So you are saying that (h) applies to Cities Service after the making of the Kuwait contract; is that what you are trying to say? A. Yes.

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Q. We will deal with that more specifically. How about (i)? Let's take (i). Did Cities Service have anything to do with the contract which Anglo-Iranian had with the government of Iran? A. Not to my knowledge.

Q. And did Cities Service have anything to do with the following allegation, on the fourth line from the bottom:

"Following nationalization"—by Iran, I suppose you mean—"the defendants and other companies and persons in furtherance and effectuation of the aforesaid combination and conspiracy"—I am reading the bottom of the page; do you see that? A. Yes, sir.

Q. (Continuing)—"determined and agreed that no one of them or any other person should deal in Iranian petroleum and products until such time as they could effect a resolution that would substantially preserve to them the alloca-

—9639—

tion of resources," and so forth, as recited in your complaint.

Down to Kuwait, did Cities Service have anything to do with those arrangements? A. I don't believe so.

Q. Let's look at subdivision (1) on page 14. You say, "Beginning on September 14, 1951, Anglo-Iranian caused to be published numerous threats."

Did Cities Service have anything to do with the publication of such threats? A. No, sir; not to my knowledge.

—9640—

[6148] Q. Then you say in subdivision 2:

"Plaintiff obtained from the National Iranian Oil Company . . . an exclusive five-year contract for the sale of Iranian petroleum and products in the United States"—



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and so forth.

Then you say:

"When these facts became known to the defendants, Anglo-Iranian through its New York attorneys caused to be sent to plaintiff and others on August 1, 1952, letters threatening action against them."

Did Cities Service have anything to do with that? A. I don't believe so.

Q. Let us look at subdivision 3. Before we get to that, there is another allegation in subdivision 2 which says, about the sixth or seventh line from the top— A. Yes.

Q. It says:

"Anglo-Iranian sought and, with the aid of the other defendants and others, achieved an effective boycott of Iranian oil."

—9641—

Did Cities Service have anything to do with that, down to Kuwait? A. When you say "Kuwait," Judge—

Q. The making of the Kuwait contract. A. The negotiations preceding?

Q. Including the negotiations. A. Yes, I see. No.

Q. Perhaps I could fix a date. Prior to, say, September 1, 1952 or August 15, 1952. A. Yes.

Q. It had no part in that? A. That's right. Not to my knowledge.

[6149] Q. That is, not to your knowledge? A. That's right.

Q. You say in the next sentence:

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"The defendants' purpose was so to weaken the Iranian economy as to force the Iranian Government to return its oil concessions,"

and so forth.

Did Cities Service identify itself with that purpose before the end of August, 1952? A. No, sir.

Q. In subdivision 3, you say:

"In furtherance of their boycott of Iranian oil  
—9642—

... the defendants caused the knowledge to be disseminated among tanker operators that any tanker operators participating in the delivery of Iranian oil would be forever blacklisted,"

and so forth, as recited in subdivision 3, on page 16.

Again, prior to the making of the Kuwait contract. Is it your statement that Cities Service had anything to do with such conspiracy? A. No.

Q. Subdivision 4. You say:

"In aid of their common conspiracy with Anglo-Iranian, the defendants Jersey, Texas, Socal, Gulf and Socony refused to purchase Iranian oil."

You do not include Cities Service among those—before Kuwait? A. Not to my knowledge.

Q. You say:

"Defendants further reinforced their boycott of Iranian petroleum and products in pursuance of their monopoly and conspiracy by indicating that

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—9643—

they would not look with favor upon any of their subsidiaries, [6150] agents or purchasers who dealt either directly or indirectly in Iranian petroleum,"

and so forth, as alleged in subdivision 4.

Did Cities Service have anything to do with that prior to the making of the Kuwait contract? A. Not to my knowledge.

Q. In subdivision 5 you allege:

"Defendants or some of them caused normal and customary financial services necessary to the transaction of international business to be denied to plaintiff."

Do you include Cities Service in that allegation? A. No, sir.

Q. That goes for the entire subdivision 5? A. Yes, sir.

Q. Subdivision 6 we have covered.

Subdivision 7 deals with an offer of a possible transaction for the purchase by the United States Air Force of a large quantity of aviation gasoline. Do you see that? A. Yes, sir.

Q. "However, Anglo-Iranian refused to modify in any

—9644—

way its effective boycott of Iranian oil notwithstanding plaintiff's warranty that the gasoline would be restricted to direct sales to the United States Military forces."

Did Cities Service participate in that transaction or become involved in that allegation?

Do you charge that Cities Service interfered with your sale of aviation gasoline to the United States? A. No.

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Q. In subdivision 8 you say that:

"... plaintiff entered into negotiations with numerous other prospective purchasers all of whom ultimately concluded that the risks of extended litigation with Anglo-Iranian and future economic sanctions by [6151] the other defendants, their subsidiaries and agents were too great for them to assume."

Limiting your answer to the period prior to the making of the Kuwait contract, did Cities Service contribute in any way to the magnitude of the risks which these prospective purchasers assumed? A. I don't believe so.

—9645—

(Short recess.)

Q. You say that in subdivision 9, on page 21, that on October 29, 1952, a number of the defendants entered into a so-called Consortium agreement. Do you see that? A. Yes, sir.

Q. Was Cities Service a member of the Consortium agreement made on October 29, 1954? A. Well, to be completely accurate about it, Judge, they came in at a little later date.

Q. They were not a member? Isn't that what you said?

A. Well, they came in a little later.

Q. Answer the question. Were they a member as of October 29, 1954? A. I don't believe so.

Q. You allege in your complaint that they were not. You say that the parties were Anglo-Iranian, Jersey,

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Socal, Texas, Gulf and Socony. You did not include Cities Service, did you? A. Well, it speaks for itself.

Q. Did you intend to include Cities Service? A. With others.

Q. When you say "with others," did you mean to in-

—9646—

clude Cities Service? A. I believe so.

Q. You believe so? A. Yes.

Q. And why did you in the last sentence say that Cities Service joined later? A. Well, that is what I was getting to, Judge. They were not originally participating members of the Consortium. They joined at a later date.

Q. So in the first sentence of subdivision 9, you did not mean to include Cities Service? A. No.

Q. Is that correct? A. Yes, sir.

Q. Very well. Now, Mr. Waldron, for convenience and in order to move along more rapidly, I asked you a great many questions with the prefix "down to Kuwait." Do you remember that? A. Yes, sir.

Q. Meaning the transaction relating to the making of the contract for Kuwait oil between Gulf and Cities Service. A. Yes.

Q. I would like to have you put your mind to the period

—9647—

following the making of that contract, and to save time, all my questions will be related to the following:

But for the making of the Kuwait contract and the reference to the Consortium—but for those two things. Think of that as a prefix to all the questions I am about to ask you for the next few minutes.

Do you understand that, Mr. Waldron? A. Yes, sir.

Q. All right. Since the making of the Kuwait contract,



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did Cities Service do anything to participate in the conspiracy to secure, maintain and exercise control over the foreign product and supplies of petroleum and petroleum products? A. This is all prefaced with "but for the"—

Q. But for the making of that contract and the subsequent obtaining of permission to participate in the Consortium. A. I don't know.

Q. Have you any evidence to suggest that there were any such acts other than those two? A. Not at the moment.

Q. And you did not have any when you framed the com—  
—9648—

plaint? A. Not that I know of.

[6153] Q. And when you say "Not at the moment," do you mean that you expect some mail in the office tomorrow which would give you that information? A. No, sir.

Q. Or that some informer is waiting for you around the corner to tell you something? A. No. What I referred to, Judge, is the examination of Cities Service's files and the examination before trial of Cities Service.

Q. You mean, you may be able to find something that you do not know now, by engaging in some further exploration? A. Yes. I am sure we will.

Q. I am sure many a plaintiff has broken the keel of his vessel on that kind of a hope.

But for those two events that have already been mentioned, have you any evidence to suggest that Cities Service was a party to a conspiracy or did any acts to further a conspiracy to divide foreign producing and marketing territories? A. I don't know.

Mr. Lane: The question is, have you ever.

—9649—

A. (Continuing) No.

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Q. But for those two events, have you any evidence that Cities Service was party to a conspiracy or did any acts in furtherance of a conspiracy to maintain and correlate domestic and world prices of petroleum and products? A. The same answer.

Q. No? A. Yes.

Q. And but for these two events, have you any evidence to suggest that Cities Service was a member of a conspiracy or did acts in furtherance of a conspiracy to control imports of petroleum and petroleum products into the United States? A. No.

Q. And but for those two events, have you any evidence that Cities Service was a member of a conspiracy or did acts in furtherance of a conspiracy to control exports of [6154] petroleum and petroleum products from the United States? A. The same answer.

Q. And but for the two events we have mentioned, have you any evidence that Cities Service was a member of a conspiracy or did acts in furtherance of a conspiracy to

—9650—

exclude United States companies and persons other than the defendants from the opportunity to engage outside the United States in the production and refining of oil and oil products and from importing into the United States such products manufactured by themselves? A. The same answer.

Q. And but for the two events, have you any evidence that Cities Service was a member of a conspiracy or did acts in furtherance of a conspiracy to exclude United States companies other than the defendants from the opportunity to import oil and oil products produced in foreign countries

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by the defendants and other companies? A. No. Not yet.

Q. But for the two events, have you any evidence that Cities Service was a member of the conspiracy or did acts in furtherance of a conspiracy to enter into long-term supply contracts to prevent sale of foreign produced oil and oil products to competitors? A. No. Not yet.

Q. And but for the two events, do you have any evidence that Cities Service was a member of a conspiracy or did

—9651—

acts in furtherance of a conspiracy designed to eliminate or restrict competition in foreign markets? A. No. Not yet.

Q. And but for the two events, have you any evidence that Cities Service was a member of a conspiracy or did acts in furtherance of a conspiracy to cause the formation of local Cartel agreements to suppress and eliminate competition in various foreign markets and area? A. That's [6155] one I keep sticking on, Judge. There's something in the back of my mind. I don't have it—

Q. You cannot think of anything now? A. That's correct.

Q. If something occurs to you, come back and tell me about it tomorrow. A. Yes, sir.

Q. But for the present, your answer is in the negative? A. Yes, sir.

Q. And have you any evidence that but for the two events we have mentioned, Cities Service was a member of a conspiracy or did acts in furtherance of a conspiracy to

—9652—

control and predominate part of the world's commercial tanker fleets and to exclude others from the opportunity of utilizing such tankers? A. No.

*Excerpts from Deposition of Gerald B. Waldron,  
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Q. But for the two events, have you any evidence that Cities Service was a member of a conspiracy or did acts in furtherance of a conspiracy to acquire the business facilities of other companies engaged in activities outside the United States? A. No.

Q. And but for the two events, have you any evidence that Cities Service was a member of a conspiracy or did any acts in furtherance of a conspiracy to secure uniform non-competitive bids for petroleum products required by the United States Government? A. That's another one I keep sticking on, Judge. None that I recall at the moment.

Q. Since Kuwait, has Cities Service threatened anyone if they were to engage in buying Iranian oil? A. Not that I know of.

Q. Did Cities Service do anything since Kuwait to interfere with anyone's trading in Iranian oil? A. I don't know. —9653—

Q. Have you any evidence that they did? A. Not other than they are a part of the——

[6156] Q. Except for the making of the Kuwait contract itself and the obtaining of permission, as you say, to participate in the Consortium. A. Well, I would like to augment that permission to obtain—permission to enter the Consortium to the fact of the action of the Consortium.

Q. What I want to know is whether you have any evidence that Cities Service did anything about it. A. I don't know.

Q. Have you any evidence? A. No. They belonged to the Consortium, and the Consortium has certain rules, and they abide by them.

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Q. What I want to know is if you have any evidence that Cities Service did anything to interfere with anyone trading in Iranian oil since Kuwait, since the fall of 1952.

A. Well, I have told you that Richfield was going to buy

—9654—

some oil and precipitously they lost interest in it.

Q: Have you any evidence that Cities Service was instrumental in Richfield's position on that? A. No evidence other than the fact they were interested and they precipitously dropped me.

Q. Richfield? A. Yes.

Q. Have you any evidence that Cities Service was instrumental in Richfield's decision with respect to that matter? A. Well, they owned a third of the company. No direct evidence as yet.

Q. Or—— A. Well, I will let the facts speak for themselves.

Q. That they owned a third of the company? A. Yes.

Q. And refused to take oil from you? A. Yes.

Q. I am asking you what evidence you have, written or oral, that Cities Service brought about Richfield's decision with respect to Iranian oil. A. None as yet.

—9655—

Q. Since Kuwait, have you any evidence that Cities Service blacklisted any tanker operators? A. No:

[6157] Q. Or threatened to blacklist any tanker operators? A. I don't know.

Q. Have you any evidence? A. Not yet.

Q. Since Kuwait, has Cities Service at any time intimated or told anyone that it would look with disfavor upon purchasers who dealt in Iranian oil? A. I don't know.



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Q. Have you any evidence that they did? A. No. Not yet.

Q. Since Kuwait, has Cities Service done anything to cause normal and customary financial services to be denied to you? A. No. Not that I know of.

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[6331] Q. Did you leave the Cities Service offices after that lunch? A. Yes. We left.

Q. Where did you go? A. I don't recall.

Q. Did you go back to Denver? A. Oh, yes. Yes.

Q. You were living in Denver. A. Yes.

Q. I didn't think I would have to remind you of that. A. I thought you meant, what other offices we went to.

Q. Did you go to see anybody else? A. Not that I recall.

—9966—

Q. Shortly thereafter, did you return to Denver? A. Yes, sir.

Q. How long after that? A. It would be hard to give you an exact date.

Q. A day or a month? A. I would say just a few days.

Q. A few days. Did you transact any business after that conversation with relation to Iranian oil? A. Not that I recall.

Q. You and Nelson both went back together? A. No. It seems we went back separately.

Q. Did Mrs. Nelson come back with Mr. Nelson, or did he leave her in Paris? A. Mr. and Mrs. Nelson came back together from Paris.

[6332] Q. They did. So they were here together with you? A. Yes.

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Q. And then you went on to Denver, and they went on to Denver, but at different times? A. Yes.

Q. Who went first? A. I don't recall.

Q. Did you see anything of the Lowes during that interval? A. Yes. That's quite true. We did. —9967—

Q. Oh, I am just guessing. When did you see Mr. Lowe?

A. Mr. Lowe had a dinner party for us at his house.

Q. When did that—— A. I believe it was during World's Series time. I didn't get to the Worlds Series, but——

Q. Was it after or before the conversation with Watson? A. I'm not positive, but I believe it was afterward. —9968—

Q. It was probably the last thing, was it not, another farewell party? A. It could have been.

Q. On your way back to Denver? A. Yes.

Q. So you think it must have been after the Watson conversation? A. I believe so.

Q. Who were present at this dinner party? A. Mr. and Mrs. Nelson; my wife, myself; Mr. and Mrs. Carter.

Q. Were Mr. and Mrs. Lowe there? A. Yes, of course.

Q. Any other people present? A. Not that I recall.

Q. Was there any business discussed at this dinner party? A. Not that I recall.

Q. Were the relations cordial and friendly? A. Yes.

Q. Despite the lowering of the curtain? A. Yes, sir.

Q. That did not disturb your cordiality or the cordiality of your relations with Cities Service personnel? A. No. —9969—

Q. You agree with me, in other words? A. Yes, sir.

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Q. Let me ask you, are you sure this dinner party took place at the Lowe or the Carter home? A. I am sorry, the Carter home in Greenwich, Connecticut.

Q. It was not at the Lowe house? A. That is correct.

Q. So this was a party given by the Carters? A. Yes, sir.

Q. And the Lowes were guests at that? A. Yes.

Q. And you met them there? A. That is correct.

Q. You came out to Greenwich, is that where it was? A. Yes, sir.

Q. Connecticut? A. Yes.

Q. When you met Mr. Lowe did you greet him? A. Of course.

Q. And he greeted you? A. Of course.

—9970—

Q. Did you say to him "Have you heard what Watson told me? A. I don't recall.

Q. Did he say to you "Did you get the bad news from Watson?" A. No.

Q. What did he say to you and what did you say to him? A. I don't recall.

Q. Did you talk Iran at all that night? A. I think we spoke of some amusing incidents and one thing or another.

Q. No business? A. No, I think the men ended up playing-Poker, that I recall.

Q. And the ladies? A. I don't know what they did. Played something else, I think Bridge.

Q. Nobody played Charades? A. No.

Q. Was there a climate at this party which would indicate that the Iranian adventure had come to a close? A. No.

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Q. Was there a climate at that party which would indicate that the Waldron-Cities Service phase of the adventure had come to a close? A. No.

Q. Did the climate of that party indicate that the co-venture of Waldron-Nelson-Carter group with Cities Ser- [6334] vice was still in full bloom? A. What is that question, please?

(Question read.)

A. Some of the freshness of the bloom had been eliminated by then but the cordiality was there and the possibility that things could be renewed in the right circumstances.

Mr. Watson told us that the door was always open to us at Cities Service and that he would at any or at all times be glad to advise us and help us in any way he could.

Q. The party broke up late that evening, I suppose? A. Yes.

Q. Everybody say goodbye to each other? A. Yes.

Q. Any expressions of intentions of re-meeting? A. We had a standing invitation to come into the Cities Service offices any time we were in New York.

—9972—

Q. But you had no unfinished business on Mr. Lowe's desk? A. Not that I recall.

Q. Or on Mr. Watson's desk? A. Not that I recall.

Q. The thing had been closed, fini? A. In view of Mr. Watson's statements and the general situation we realized that the—we felt that the thing was in abeyance. Mr. Watson said on several occasions they were not interested now. Mr. Whetsel kept telling us the situation might open up.

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Q. But for the present there was no pending business between you? A. That is right.

Q. When is the next time that you saw any Cities Service people at all? A. I am trying to get it chronologically Judge. I believe some time after the first of the year.

Q. So during the balance of October, November and December you did not have any visit with any Cities Service people? A. No personal visits, Mr. Carter said he was in touch with them weekly or daily.

[6335] Q. No, you. A. No.

—9973—

Q. Or Nelson? A. No.

Q. You weren't in New York during that period, were you?

Mr. Lane: Does that include telephone calls?  
Mr. Rifkind: I will develop that.

Q. You didn't get to New York during this period, did you? A. What period are we discussing?

Q. The latter part of October, November and December. A. Yes, I was in New York.

Q. You did get to New York during this period? A. Yes.

Q. But you did not call on the Cities Service offices? A. Not that I recall.

Q. How many times were you in New York during the three-month period? A. I would have to check that out again.

Q. More than once? A. Once or twice.

Q. Did you spend some time here each time? A. Yes.

—9974—



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Q. As much as several days or a week? A. Yes, several days.

Q. But you did not call on the Cities Service people during those visits? A. To the best of my knowledge we didn't.

Q. When you say we, you mean Nelson was here with you? A. Yes.

Q. You both came together on both trips, if there were two? A. I believe so. I am not positive of that.

Q. But in any event you are sure that you did not call at 70 Pine Street or 60 Wall Street? A. We may have, I don't recall.

Q. You have no recollection of such a visit? A. No.

[6336] Q. Cities Service people did not communicate with you when you were in New York? A. Not that I recall.

Q. When is the first time you do recollect a contact between you and Cities Service personnel after this Carter party? A. The first contact I believe after this was a  
—9975—

telephone call I received from Whetsel which I arranged through Mr. Shaw in Denver, to have Mr. Whetsel call me.

Q. You asked Shaw to have Whetsel call you? A. Yes.

Q. Did Mr. Whetsel call you? A. Yes.

Q. Did you discuss Iranian oil? A. Yes.

Q. What did you say and he say—first approximately the time. A. I would say the first week or so in November.

Q. All right. Whetsel called you? A. Yes.

Q. In Denver? A. Yes.

Q. Where was Whetsel when he called you? A. In Chicago.

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Q. Was he there on business? A. He was attending the API convention.

Q. The American Petroleum Institute? A. Yes, sir.

Q. Why did you ask Mr. Shaw to ask Mr. Whetsel to call you? A. Because I had been offered some Mexican oil  
—9976—

from the Sharmex Company in Mexico.

Q. You wanted to know if Whetsel would be interested in it? A. Yes.

Q. Did you put the proposition to Whetsel? A. Yes, sir.

Q. Did he accept it? A. No, Mr. Whetsel, after telling him about the availability of this oil from Mexico, he knew about it. He knew the characteristics of the crude and so on. He told me in substance that the situation was pretty much in balance in relation to Cities Service, in relation to their selling and buying and as such, they would not have any interest in Mexican oil.

\* \* \*

Q. You did not see anybody at Cities Service or of Cities Service personnel at or about the time of your telephone conversation with Mr. Whetsel? A. No, sir.

Q. When did you next see anybody from Cities Service? A. To the best of my recollection, it was February or March of 1953.

Q. Just to go back for a minute to the Whetsel conversation, is there anything about that conversation that you want to add? A. Nothing that occurs to me now.

Q. As far as you know, you have given us the substance of the entire conversation? A. Yes, sir.

Q. And that occurred, as you told us, in early November of 1952? A. Yes, sir.

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Q. And you say that the next contact with any Cities  
—9981—

Service personnel was not before February or March of 1953? A. That's the best of my knowledge at this time.

Q. And what then were the circumstances of your next contact with people from Cities Service? A. Mr. Nelson and I were in New York, and we called—made an appointment with Mr. Watson.

Q. Let me ask you: Was that the first visit to New York from November, the early part of November, until then?

A. No. As I recall, there were several visits to New York.

Q. But during those other visits, you did not trouble anybody at Cities Service? A. Well, I don't know what you mean by "trouble."

[6340] Q. I mean, communicate with them. A. Not that I recall.

Q. That is what I mean. So I take it, then, that from the latter part of October or the middle of October, when you had the dinner party at the Carters', down to February or March of 1953, you had a number of visits to New York, but during those visits you did not communicate

—9982—

with any Cities Service personnel? A. I believe that's right.

Q. But in February or March, you did communicate with Mr. Watson? A. Yes, sir.

Q. By telephone, after you arrived in New York? A. Yes, sir.

Q. You didn't send them a letter or a telegram in advance of your arrival in New York? A. I don't believe so.

Q. When you got here, you and Nelson were together? A. Yes, sir.

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Q. And did you come here together in connection with your enterprise in Iranian oil? A. Yes.

Q. Not in connection with some other enterprise? A. No.

—9983—

Q. And you were going to see other people besides Mr. Watson or did you come here expressly for the purpose of seeing Mr. Watson? A. No, we were here and thought we would see Mr. Watson.

Q. That was not the object of your trip? A. No, sir.

Q. To New York? A. No, sir.

Q. Did you have any trouble establishing a date with Mr. Watson? A. No, sir.

Q. The door was open to you? A. Yes, sir.

Q. You called up and he said, come on down, something like that? A. Yes, sir.

[6341] Q. You went down? A. Yes, sir.

Q. And met at his office? A. Yes, sir.

Q. Who else was present? A. Mr. Watson, and Mr. Nelson, and myself.

Q. The three of you? A. Yes, sir.

—9984—

Q. Carter wasn't there? A. No.

Q. Lowe wasn't there? A. No.

Q. No other Cities Service personnel? A. No.

Q. Just the three of you? A. Yes, sir.

Q. What did you say? A. I can't give you the exact words.

Q. Give me the substance of what you said. A. Mr. Watson welcomed us, said he was glad to see us. Any time we came to New York the facilities of the sweat room were

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available to us and asked how business was. Dick Nelson told him business was very poor.

Q. What business was he referring to? A. Our normal brokerage business in Denver. Mr. Nelson pointed out to Mr. Watson that business was bad, we had taken a number of months off in behalf of—

Q. The Iranian transaction? A. Cities Service, yes.  
—9985—

And Mr. Watson said he was very sorry to hear this.

Mr. Nelson suggested that maybe something should come forward from Cities Service for the time lost and business, really the business lost because we were away from our office.

Q. Some compensation or at least to make up the loss you suffered? A. For the loss of business, yes.

Q. That was the object of your visit to Watson or did this come up by accident? A. It wasn't our primary purpose for the visit to New York.

Q. Was it the primary purpose of your visit to Watson? A. Yes.

[6342] Q. In other words, you and he had agreed when you saw Watson that you would ask him for this? A. Yes.

Q. You brought the subject up at your first opportunity? A. Yes.

Q. What did you say about that after Nelson made this proposal? A. Mr. Watson asked me "Is the same business  
—9986—

situation with you, Mr. Waldron?"

And I said, "Yes."

He said, "Well, I think we can do something about it."

Q. All right. A. He suggested that he could perhaps arrange through Mr. Carter some commissions on oil that



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would be given to Mr. Carter, who in turn would give it to us.

Q. That is what he said? A. Yes.

Q. Did you discuss any other subject? A. I think we expressed a mutual hope that something could be worked out on the Iranian oil.

Q. You brought up Iranian oil? Just tell me what you said. A. I don't recall precisely what I said.

Q. What was the substance? A. We expressed a mutual hope that something—

Q. I would like to hear what Mr. Waldron said. A. I believe we told him we were still working on it.

Q. You were still working on it? A. Yes.

—9987—

Q. You and Nelson? A. Yes, sir.

Q. Did he ask you what form your work was taking?

A. I don't believe so.

Q. Did you tell him? A. We may have; I don't recall.

Q. What did he say in response to your statement that you were still working on the Iranian oil? A. I don't recall.

Q. Did he express any interest in behalf of Cities Service? A. No.

[6343] Q. Did he wish you luck? A. I don't recall.

Q. Indeed, what had you been doing during your visit to New York about Iranian oil? A. As I testified before, we were working on an exchange of sugar, asking the Holly Sugar Company to go to Iran and take over the sugar in exchange for Iranian oil.

Q. A sugar-oil deal? A. Yes.

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Q. Did that conversation take very long? A. I would say it was a half hour, 40 minutes, 45 minutes.

Q. Well, a half hour to 40 or 45 minutes, you covered more ground than you indicated thus far? A. That is all I recall at this time.

Q. Anything more happen? A. I don't believe so. Mr. Watson did spell out how the funds would come from Mr. Carter. He said Mr. Carter would come up to see us in Denver. I suggested that—I asked him if it would be all right if I would call Mr. Watson to double check on the—

Q. Amount? A. Yes.

Q. Did Mr. Watson ask you to tell how much the amount would be? A. He said something in the neighborhood of the commission on three or four cargoes.

Q. Had he asked you how much money you had been out of pocket or lost by reason of your diversion from the business? A. Mr. Nelson told him of several pieces of

—9989—

business he had lost, foreign business, by not being in the office.

Q. Did you and Nelson add up the amount of money you wanted? A. No, sir.

Q. Did you tell Mr. Watson anything about it? A. No.

Q. Was there any suggestion as to how much it should be? A. No, sir.

Q. You left it entirely up to Mr. Watson to determine the amount? A. Yes, sir.

[6344] Q. Why did you say it was measured by the amount of business losses? A. It wasn't measured by the amount of business losses. It was to compensate us for the loss of business while we were away.

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Q. But you did not specify how much business you had lost? A. That is right.

Q. Did you anticipate a large amount, a small amount of money? A. We anticipated whatever the commission —9990—

was going to be on three or four cargoes.

Q. Did you have any idea how much that would be? A. No.

Q. Did you know if it would be \$100,000 or \$500,000? A. I don't believe we had any figure in mind.

Q. You are very sure you did not tell Mr. Watson how much you would like to receive? A. No, sir.

Q. Or how much you lost? A. No.

Q. Or how much you had suffered by way of loss of business? A. I don't believe figures were discussed as such.

Q. Not at all? A. Not that I recall.

Q. Did it take any effort to persuade Mr. Watson to come to your aid this way? A. No, not at all. Mr. Watson was very mild and very pleasant about the whole matter.

Q. Did he say anything which would indicate that he —9991—  
expected such a request on your part? A. No.

Q. Had you in any way communicated to him in advance that you wished such a payment? A. Not that I remember.

Q. But he was quite ready with the idea when you mentioned it? A. Yes, I believe also at this meeting we discussed the possibility of selling Cities Service some of the things they purchased.

—9992—  
Q. I see. You mean, supplies? A. Yes.

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[6345] Q. And what did he say about that? You suggested that? A. Yes.

Q. What did he say about that? A. He said he thought that something could be worked out that would be agreeable—we told him, of course, everything that we offered him would be at the market competitive level, and so on.

Q. Did you threaten to sue him? A. No, sir.

Q. Did you indicate to him that if he didn't pay you you would take any kind of reprisals against him? A. No, sir.

Q. Did any such thing cross your mind? A. No, sir.

Q. And when you left the office, you and Nelson felt that it was a rather easy meeting? A. Yes.

Q. You were quite pleased? A. Yes.

Q. Did you see anybody else at Cities Service while you called on Mr. Watson? I mean, in connection with the same

—9993—

visit downtown. A. Not that I recall.

Q. You didn't walk into Lowe's office? A. I don't believe so.

Q. Or Frame's? A. No, sir.

Q. Or Whetsel's? A. No, sir.

Q. Or anybody's? A. No, sir.

Q. It was only Mr. Watson? A. That's the best of my recollection.

Q. And have you searched your memory with respect to that transaction? A. Yes, sir.

Q. And that is all that you can recall? A. Yes, sir.

Q. You have told us everything that happened on that occasion? A. I believe so.

Q. You were not sure whether it happened in February or March. Do you think that by searching your mind you

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might be able to fix it either in February or March? A. [6346] As I believe, it was the latter part of February or the first part of March.

Q. March. Could you correlate it with a visit to any other person concerning which you would have a better date? A. Yes. We had come from Washington. I would have to check back on those dates, Judge.

Q. Would you do that? A. Yes.

Q. And shortly after that visit, did you go back home or stay in New York? A. I stayed here a day or two and then went back to Denver.

Q. How soon after that did you actually receive any money from Mr. Carter? A. To the best of my recollection, it was two or three weeks.

Q. And how did that come about? Can you give me the circumstances? Did you come to New York? A. No, sir. Mr. Carter came to Denver.

Q. Did you expect him? A. Yes.

Q. He had written you or telephoned you, saying that he was coming? A. I am trying to search my memory to

—9995—

see if he wrote us or telephoned us.

Q. But he communicated with you? A. In some way, we knew he was coming, and we met him downstairs at the Union Station.

Q. He came by train? A. No. He came by plane, but our offices were in the Union Station building.

Q. And you and Nelson were together? A. Yes.

Q. And you took him upstairs to your office, or did he go to a hotel? A. I took him to our office.

Q. And Nelson joined you? A. Yes.

Q. The three of you were together? A. Yes.



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Q. The three of you were there? A. Yes.

Q. Was anyone else there? A. No.

[6347] Q. What did Mr. Carter say to you? A. Carter said in substance that he had talked to Mr. Watson, and pursuant to our previous conversation with Mr. Watson he was there, and that he had two checks for us.

—9996—

Q. One for each of you? A. Yes, sir; for \$5,000 apiece.

Q. Go ahead. A. And he said the additional money would be paid us, I believe, the 1st of June.

Q. Did he say how much additional money would be paid? A. I believe it was something less than \$5,000 each.

Q. Did he say how it was calculated? A. It was based, as I recall, upon commissions on cargoes of oil.

Q. How many cargoes? A. I believe he said it was two or three.

Q. And what did you say when he said all this? A. At the same time, he told us that he had these checks for \$5,000 each, that—well, first of all, I suggested that Mr. Watson had said that we have commissions on three or four cargoes.

Q. Instead of two or three? A. Yes. And he said that he would be glad to take that up at a later date, but this is what he had now, and we could take it or leave it.

—9997—

Q. Did he have any other conversation you? A. Yes.

Q. What did he say? A. Well, we had luncheon with him. We had dinner with him. We were with him all day.

Q. General conversation? A. Well—

Q. Anything about the checks? Anything more about the checks? A. Yes. He said that—he pulled out of his pocket before we were given the checks a couple of pieces of

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paper, one of which was handwritten, I recall, and there was another couple of sheets of paper. He wanted me to make copies of these two pieces of paper, and he wanted us to sign these two pieces of paper before he gave us the money.

Q. There was some drafted language on the two pieces of paper? A. Yes.

[6348] Q. And did you have it typewritten? A. Yes.

Q. And did you sign it? A. Yes.

Q. Did Mr. Nelson sign it? A. Yes.

Q. They have been marked for identification? A. I believe so. —9998—

Mr. Rifkind: Then we have it.

Mr. Costikyan: Yes. We have it.

Q. What else occurred? A. Well, immediately after we had these copies put on my letterheads, Mr. Carter picked up the phone and called The Brown Palace Hotel and asked for Mr. Lowe. This was the first time we heard that Mr. Lowe was there, and we were amazed to know that he was in town, because we hadn't been informed.

Q. That he was in Denver? A. Yes.

Q. Go ahead. A. We said, "Is Bill Lowe here in town with you? He said, "Yes. He came out on business, and we found ourselves on the same plane together, and he's staying at the Brown Palace Hotel."

Q. Did you meet Mr. Lowe? A. Mr. Lowe arranged for us to have lunch with him.

Q. And did you? A. Yes.

Q. Was anything said at the luncheon meeting other

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than small talk? Well, let me see if I can refresh your memory. A. Nothing that I can recall now.

Q. Did you check with Mr. Lowe whether the amount of money you had received was the authorized amount? A. I don't believe so.

Q. And did you check with Mr. Lowe as to whether the statement you had signed was the authorized statement? A. I don't believe so.

Q. Was the subject matter of the payment made to you [6349] referred to at all during this luncheon meeting? A. Not that I recall. These two pieces of paper we signed were addressed to Mr. Carter.

Q. Addressed to Mr. Carter? A. Yes.

Q. And you delivered them to Mr. Carter? A. Yes.

Q. Did you retain a copy for yourself? A. I believe so.

Q. And Nelson took a copy? A. Yes.

Q. They were typed on your letterhead, right in your

—10000—

office? A. I believe so.

Q. But no mention of it was made to Mr. Lowe during your luncheon meeting? A. Not that I remember right now.

Q. Did you thank Mr. Lowe? You asumed that this money came from Cities Service, didn't you? A. Yes.

Q. Did you thank Mr. Lowe for it? A. As I recall, I don't remember any discussion on it.

Q. Did you express disappointment to Mr. Lowe as to the amount of it? A. No. I was going to check with Mr. Watson on that.

Q. And you were not going to dilute your conversation with Mr. Lowe? A. I believe that's right.

Q. So, did you talk about Iranian oil at this luncheon meeting? A. To the best of my recollection, nothing other than various incidents and personalities.

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Q. Just small talk? A. I believe so.

Q. And after lunch, did you go back to your office? A.  
—10001—

I believe so.

Q. Did you see Mr. Lowe again before he left? A. Yes.

Q. When did you see him again? A. At dinner.

Q. Who was present at dinner? A. Mr. Lowe, Mr. Carter, Mr. Nelson, his wife, and me and my wife.

Q. Where did you have dinner? A. At the Brown Palace Hotel.

[6350] Q. Who was hosting there? A. Mr. Lowe, I believe.

Q. And this was a social hour? A. Yes.

Q. There was no business talked at that time? A. Not that I recall.

Q. Nothing was said at the dinner meeting or the dinner party about the checks? A. Not that I recall.

Q. Or about the receipts? A. No.

Q. Or about Iranian oil? A. Nothing that I recall now.

Q. It was a cordial meeting? A. Very.

—10002—

Q. Friendly? A. Yes, sir.

Q. And did Mr. Lowe say when he was leaving Denver? A. Yes.

Q. What did he say? A. I believe they were leaving Denver that night at 11 or 12 o'clock.

Q. Did he say "When you come to New York, knock at my door," or words to that effect? A. I believe so. I'm not sure.

Q. Or did he say, "Don't you poke your face into my door any more"? A. I don't believe so. No.

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Q. And you said goodbye on a friendly basis? A. Very friendly.

Q. You didn't see him off to the plane—or did you? A. No.

Q. You did not? A. I don't believe so.

Q. Did you see anyone from Cities Service or communicate with Cities Service after this occasion? A. Yes.

—10003—

Q. When is the next time that you communicated with or saw anyone from Cities Service? A. As I recall, there was some exchange of letters relative to some items that we wanted Cities Service to consider purchasing. I believe I saw Mr. Lowe one or two more times in this connection.

Q. In New York? A. Yes.

[6351]Q. First let me see if I can follow through. Did you call Mr. Watson and check with him as to whether the amount of money you got was the right amount? A. Yes.

Q. When did you do that? A. I believe it was the day after Mr. Carter left.

Q. You called him on the long distance? A. Yes, sir.

Q. Did you have any trouble reaching him? A. No, sir.

Q. Did he talk to you? A. Yes, sir.

Q. And what did you say to him and what did he say to you? A. In substance, I asked Mr. Watson if the checks which Mr. Carter had given us plus the additional checks

—10004—

which were to be forthcoming in June was the amount that was set up by him for Mr. Nelson and me, and Mr. Watson said, "This is one of those things we just can't discuss over the telephone. Whatever Mr. Carter did was right."

Q. And that was the end of the conversation? A. Substantially; yes, sir.



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Q. Did you complain of the adequacy of the amount to Mr. Watson? A. No. I had asked Mr. Carter after we had been given the checks if he would go back to Mr. Watson, because Mr. Watson mentioned three or four cargoes—I think this was two or three—if he would go back and see if he couldn't get us the additional cargo or two.

Q. That you have already mentioned? A. Well, okay.

Q. Was this a very brief conversation with Mr. Watson over the telephone? A. Yes.

Q. Was Nelson in on it? A. I believe so.

Q. On the extension? A. I believe so.

Q. Who did the talking: you or Nelson? A. I did.

—10005—

Q. And did you tell him that you had signed some papers in connection with the checks? A. I don't recall that I did.

Q. You didn't complain about them? A. No.

[6352] Q. Then you came to New York, or did you write some letters first? What happened first? A. It seems as though there was an exchange of letters.

Q. Have you got those letters? A. I believe so.

Q. Can we see them?

Mr. Rifkind: Are they marked?

Mr. Costikyan: I believe they are marked.

Mr. Lane: You have everything that we have.

Q. Are those the letters you referred to, in which you offered him the opportunity to buy some oil leases and things of that kind? A. Yes.

Q. Those are the letters? A. Yes.

Q. You finally got back to New York, did you? A. Yes.

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—10006—

Q. When did you get to New York? A. It's hard for me to give you exact dates, Judge.

Q. Was it a month or— A. We were back two or three times.

Q. Was it a month? A. I think there was an interval of a month or two.

Q. And was your object in coming to New York to see the Cities Service people, or did you have other business here? A. We had other business.

Q. And you came with Nelson together, or did you come alone? A. As I recall, I was alone.

Q. And whom did you call on at Cities Service? A. Mr. Lowe.

Q. And I suppose it was by telephone engagement? A. Yes. I believe so.

Q. Did you have any trouble arranging a date to see Mr. Lowe? A. No, sir.

Q. You found his door open to you? A. Yes.

Q. And did you have a conversation? A. Yes.

—10007—

[6353] Q. What did you say and what did he say? A. In substance, we wanted to—

Q. What did you say? A. In substance, I asked Mr. Lowe about the purchase of various things that Cities Service was using, such as chemicals, and one thing and another.

Q. What did he say about that? Go ahead. I did not mean to interrupt you. Elaborate on that if you want to. You wanted to know whether you could be the broker in arranging for the purchase of them by Cities Service? A. Yes, sir.

*Excerpts from Deposition of Gerald B. Waldron,  
October 26-28, 1959*

Q. Did you give him a list of things? A. Chemicals in general.

Q. This was oral conversation? A. Yes. We wanted to know if they had any interest in doing business through us.

Q. What did he say? A. I received no encouragement.

Q. Did he say that they had their sources of supply well established? A. He said they had sources of supply well established and there was actually no reason for changing.

—10007a—

Q. Had you closed any deals with him pursuant to the correspondence you have told us about a minute ago? A. No.

Q. Did you ask about those? A. I don't recall.

—10008—

Q. Had those projects been rejected by Cities Service in correspondence with you? A. Yes.

Q. So that by the time you saw Lowe on this occasion those things were not pending any longer? A. Yes.

Q. You agree with me? A. Yes.

Q. You got no encouragement from him about this or other products that you offered to furnish to Cities Service. Was there another conversation with Mr. Lowe on that occasion? A. Not that I recall.

[6354] Q. By that time had you already received the second installment on your payment? A. I believe so.

Q. What did it turn out to be? A. As I recall it was something less than \$9500.

Q. In the aggregate? A. Both to Mr. Nelson and me.

Q. Both of you each received about \$9500? A. Approximately.

*Excerpts from Deposition of Gerald B. Waldron,  
October 26-28, 1959*

Q. Who brought out the second payment? A. As I re-  
—10009—

call they were mailed to us.

Q. By whom? A. By Mr. Carter.

Q. Whose check was it? A. Mr. Carter's check.

Q. Were there any other receipts to be signed in connection with that check? A. Not that I recall.

Q. The original receipt covered the entire payment? A. I believe so.

Q. Did you say anything about those checks to Mr. Lowe? A. I don't recall.

Q. Do you think you did? A. I don't believe so.

Q. Did you go around to see Mr. Watson? A. No.

Q. Did you check with Mr. Watson over the telephone or otherwise as to the correctness of the payment you received? A. Not after the first time.

Q. Did you get confirmation on the first time? A. No.

—10010—

Q. Did you ever seek confirmation? A. No, sir.

Q. And you never inquired about it since? A. No, sir.

Q. Was anything further said by you and Lowe on the occasion of the visit you just described? A. Not that I recall now.

Q. Did you go about transacting some other business in Europe while you were there? A. Yes, sir.

Q. Did it relate to Iranian oil? We are now some time in the late spring of 1953, aren't we? Or is it later than that? A. 1954.

[6355] Q. No, we are now in the late spring of 1953 according to what you have been telling me. You said a couple of months after Carter's visit to Denver. A. I believe there was a visit after Carter's visit to Denver that

*Excerpts from Deposition of Gerald B. Waldron,  
October 26-28, 1959*

year but I am speaking of another visit in 1954.

Q. This conversation that you speak of took place in 1954? A. I believe the last one did.

—10011—

Q. Had you had a visit with Lowe or was it in 1953 after your conversation with Carter; the same year in which Carter delivered those two checks to you? Did you have a visit with anybody in Cities Service in New York? A. Not other than Mr. Lowe.

Q. Did you have one with Mr. Lowe? A. I believe so.

Q. When? A. I can't give you the date.

Q. Some months after Carter's visit? A. I believe so.

Q. When? A. I can't give you the date.

Q. What was the subject matter of the conversations you had with Lowe at that time? A. Just what I told you.

Q. I thought this was a 1954 conversation you were telling me about. A. 1953 and 1954 I saw him twice as I recall and the same thing.

Q. Talked about the same thing both times? A. Yes.

Q. Wasn't it getting boring? A. Well, we were trying

—10012—

to sell Cities Service various products. It wasn't boring to us, we were trying to make some money.

Q. Was it the same set of products that you were offering to furnish in 1954 that you furnished in 1953? A. I believe in 1953 we had offered some flexible hose and oil leases and one thing or another. I believe our second phase of efforts concerned chemicals.

Q. So you had one visit in 1953 and another one in 1954? A. That is the best of my recollection.

[6356] Q. Is it that you had only one visit in 1954? A. That is the best of my recollection.



*Excerpts from Deposition of Gerald B. Waldron,  
October 26-28, 1959*

Q. You didn't see Watson on this 1954 visit, did you?

A. No, sir.

Q. Only Lowe? A. Yes, sir.

Q. None of the other Cities Service personnel? A. No, sir.

Q. Was there still a cordial greeting? A. Yes, sir.

—10013—

Q. Did you leave the office at Cities Service and go back to Denver? A. Yes, sir.

Q. When is the next time you saw anybody at Cities Service? A. I believe that was the last time.

Q. You never saw them again? A. Not that I recall now.

Q. 1955, 1956, 1957, you never had any further contact? A. Not that I recall now.

Q. Any correspondence? A. I don't believe so.

Q. Any telephone calls? A. No.

Q. Telegrams? A. Not that I recall.

Q. Anybody from Cities Service pass through Denver and look you up? A. No.

Q. Not since the spring of 1954? A. That is the best of my recollection, Judge. I think the date is fairly accurate.

Q. You never offered them any other materials or to

—10014—

furnish them any other materials after that spring conference with Lowe in 1954? A. I don't believe so.

Q. When did you first find out about the Gulf oil transaction, relating to Kuwait oil? A. I believe that was in 1954.

Q. After you read it in the paper, didn't you? A. Yes, sir.

*Excerpts from Deposition of Gerald B. Waldron,  
October 26-28, 1959*

Q. After you read that piece in the paper did you call up Lowe and say, "What is the meaning of this?" A. No, sir.

[6357] Q. Did you write him a letter? A. No.

Q. Did you call Watson? A. No.

Q. Call anybody at Cities Service? A. No.

Q. Whom did you call? A. I don't understand your question.

Q. Did you call Nelson? A. We were in daily contact.

Q. Did you discuss it with Nelson? A. Yes.

—10015—

Q. How about Bentley, did you call Bentley about it?

A. I don't believe so.

Q. Or Zoes? A. No.

Q. Carter? A. No.

Q. When did the cordiality which you had expressed to Cities Service curdle into hostility? A. Looking back, Judge, it occurred to me—

Q. When? A. After we heard about the transaction with Gulf.

Q. It was some time after that? A. Yes, sir.

Q. At that time you had the feeling that they had made a deal with Gulf and that was in some way out of keeping with the arrangements with you? A. Yes, sir.

Q. That was your thought? A. Yes, sir.

Q. Did you form a notion they were violating any of your rights under the antitrust law? A. I am not a lawyer, Judge.

—10016—

Q. I am asking whether that notion ran through your mind. A. All I remember is that I read of this announcement that Cities Service had done a tremendous deal with 90 million barrels of oil in Kuwait through Gulf and it was

*Excerpts from Deposition of Gerald B. Waldron,  
October 26-28, 1959*

announced the transaction had been kept secret for a long time and it was announced at a rather late date and looking back it appeared the transaction had been completed shortly after Mr. Jones' trip to Iran.

[6358] Q: You came to the conclusion that was a substitute for the Iranian oil? A. Yes, sir.

Q. Did you then or later come to the conclusion that he was offered this deal in order to divert him from the Iranian transaction? A. Yes.

Q. You still believe so? A. Yes.

Q. You believe Gulf offered him the opportunity to get oil from Kuwait in order to induce him to abandon his efforts in Iran? A. Precisely.

—10017—

Q. You formed the opinion that the oil he got in the Kuwait contract served the purposes that otherwise would have been served with Iranian oil? A. Yes, sir.

Q. You still believe so? A. Yes.

Q. If you had not so thought that would not have included Cities Service as a defendant in that case? A. That is right.

Q. And you still think so? A. Yes, sir. An additional answer to the last question, Judge. The fact that they accepted the contract with Gulf and finally ended up in the Consortium, that is part of my thinking, too.

Q. When did you find out about the Consortium? A. When it was announced.

Q. Before or after you heard about the Kuwait contract? A. Afterwards.

Q. How much afterwards? A. I would say a year or so.

*Excerpts from Deposition of Gerald B. Waldron,  
October 26-28, 1959*

Q. During that year was your mind in a state of sus-  
—10018—

pense about Cities Service? A. No.

Q. So even before you heard about the Consortium you  
already formed the opinions that you indicated? A. That  
is right.

\* \* \*

**Cities' Motion for Summary Judgment, April 8, 1960**

**[11189] UNITED STATES DISTRICT COURT**

**SOUTHERN DISTRICT OF NEW YORK**

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**[SAME TITLE]**

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**SIRS:**

PLEASE TAKE NOTICE that the within motion will be brought on for hearing before Judge William B. Herlands at the United States Court House, Foley Square, New York, N. Y., in the Courtroom assigned to Judge Herlands, on April 25, 1960, at 10:30 A. M., or at such other time and place as he may fix for the said hearing.

Dated: New York, New York  
April 8, 1960.

Yours, etc.

PAUL, WEISS, RIFKIND, WHARTON  
& GARRISON

Attorneys for Defendant

Cities Service Co.

Office and P. O. Address

575 Madison Avenue

New York 22, N. Y.

To:

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Attorneys for Plaintiff

26 Broadway

New York 4, N. Y.



*Cities' Motion for Summary Judgment, April 8, 1960*

[11190] UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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[SAME TITLE]

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Defendant Cities Service Co. moves this Court for an order, pursuant to Rule 56 of the Federal Rules of Civil Procedure, for a summary judgment in its favor dismissing plaintiff's complaint as against it, on the ground that there is no genuine issue as to any material fact and that Cities Service Co. is entitled to a judgment as a matter of law, and for such other and further relief as this Court deems just and proper.

Dated: New York, New York  
April 8, 1960.

PAUL, WEISS, RIFKIND, WHARTON  
& GARRISON

Attorneys for Defendant

Cities Service Co.

Office and P. O. Address

575 Madison Avenue

New York 22, N. Y.

**Affidavit of George H. Hill, Jr., April 8, 1960, and  
Supporting Exhibits**

[11191] UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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[SAME TITLE]

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STATE OF NEW YORK }  
COUNTY OF NEW YORK } ss.:

GEORGE H. HILL, JR., being duly sworn, deposes and says:

1. I am a Senior Vice President in charge of Foreign Operations of Cities Service Company (hereinafter "Cities Service"), one of the above defendants, and I am familiar with the facts of the within action.

2. I make this affidavit in support of the motion by Cities Service, made pursuant to Rule 56 of the Federal Rules of Civil Procedure, for summary judgment dismissing the complaint as against Cities Service.

**PLAINTIFF'S CHARGES AGAINST CITIES SERVICE**

3. This is an action for treble damages, in the amount of \$109,260,000, based upon alleged violations of the Sherman Act and related anti-trust statutes.

4. Cities Service has been named a defendant in this action despite these uncontradicted or undeniable facts:

[11192] (a) The great bulk of the allegations of the complaint are expressly stated, in the complaint, not to be addressed to Cities Service;

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(b) The plaintiff has admitted, on his deposition, in so many words, that he has neither written nor oral evidence to support the few allegations which do encompass Cities Service and that he made these allegations on the basis of a guess; and

(c) Documentary evidence conclusively establishes that plaintiff's guess is contrary to fact.

5. For these reasons, Cities Service believes that it is entitled to a summary judgment in its favor and seeks to be relieved of the burden of remaining a party to this expensive and time-consuming lawsuit, which has been pending for some four years already, and which seems to be possessed of considerable longevity.

THE COMPLAINT

a. *The major alleged conspiracy*

6. The complaint alleges a worldwide conspiracy by the defendants, *other than Cities Service*, to control the sources of oil in Europe and the Middle East.

7. Pursuant to this alleged conspiracy, the defendants, *other than Cities Service*, are charged with having entered into agreements, as early as 1927 and 1928, dividing overseas markets for oil, fixing foreign prices for oil, controlling available tanker facilities, and excluding unaffiliated companies from the opportunity to engage in the production and refining of oil abroad (complaint, paragraphs 8, 9 and 10).

8. The conspiracy charged in the complaint is, according to the complaint, the same as that alleged [11193]

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in an action entitled *United States v. Standard Oil Company (New Jersey)*, et al., Civil Docket No. 86527, now pending in this Court (complaint, paragraph 9, page 7). Cities Service is neither a party to that action, nor is it mentioned in the complaint therein.

9. Nevertheless, in this case, Cities Service is claimed by plaintiff to have become a member of the conspiracy alleged by the Government by reason of the following alleged events relating to Iranian oil:

(a) In May of 1951, the Government of Iran nationalized the oil properties in Iran formerly owned by the Anglo-Iranian Oil Co., Ltd. (hereinafter "Anglo-Iranian"), now known as British Petroleum Co., Ltd. (complaint, paragraph 10(i));

(b) In consequence of such nationalization, the defendants, *other than Cities Service*, instituted a boycott of Iranian oil, for the purpose of forcing "the Iranian Government to return its oil concessions, if not to Anglo-Iranian in whole, at least to the defendants jointly, *excepting Cities Service . . .*" (complaint, paragraphs 10(i) (1)-(5), emphasis added);

(c) In May of 1952, plaintiff obtained a contract from the Iranian Government to sell 15,000,000 tons of Iranian crude oil in the United States (complaint, paragraph 10(i) (2));

(d) Thereupon, the defendants, *other than Cities Service* (complaint, paragraph 10(i) (4)) ". . . refused to purchase Iranian oil from plaintiff . . .", boycotted plaintiff

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(paragraph 10(i)(4), "... caused normal and customary financial services ..." to be denied to plaintiff (paragraph 10(i)(5)), interfered with his ability to get tankers, and frustrated plaintiff's ability to sell Iranian oil (complaint, paragraph 10(i)(3), (8));

[11194] (e) At the same time, Cities Service, which had no Middle East crude oil sources because the other defendants had allegedly excluded it by their alleged conspiracy, allegedly indicated to plaintiff a great interest in purchasing his entire supply and obtaining a managerial contract for all Iranian oil exploitation and production from the Iranian Government; "asked if plaintiff would be able to obtain an invitation from the Iranian Government ... requesting that Cities Service inspect the Iranian oil installations for the purpose of determining whether they could be profitably reactivated ..." accepted such an invitation from Dr. Mossadegh, the Prime Minister of Iran, obtained by plaintiff; sent an inspection party to Iran "on or about August 16, 1952"; and after full inspection "determined that the installations could be reactivated" (complaint, paragraph 10(i)(6));

(f) Cities Service then allegedly "proposed to the National Iranian Oil Company that ... Cities Service would exploit and manage the Iranian oil resources ..." (complaint, paragraph 10(i)(6));

(g) At that point, "... during late August or early September, 1952" Gulf Oil Corporation (hereinafter "Gulf") and Anglo-Iranian, allegedly "[l]earning of Cities Services's intention to force itself in this manner into the



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Middle East oil complex", "conspired to and did offer Cities Service and Cities Service did accept a vast long-term supply of Kuwait oil at a price far below the posted International Gulf of Persia price, to wit: . . . at \$1 per barrel, or the equivalent, approximately, of \$7.40 per metric ton at a time when the posted price was approximately \$12.89 per metric ton" (complaint, paragraph 10(i)(6));

(h) "At this time and by these acts Cities Service [allegedly] . . . entered into combination and conspiracy with the other defendants and . . . broke off further negotiations with plaintiff and the National Iranian Oil Company and [11195] refused to enter into any contract or arrangement with reference to Iranian petroleum" (complaint, paragraph 10(i)(6)); and

(i) As a further consequence of accepting the Kuwait offer in place of dealing with plaintiff, Cities Service was allegedly allowed by the other defendants to "purchase a participation" in the Consortium agreements which were entered into in 1954 by defendants, *other than Cities Service*, ". . . which agreements divided up substantially all of the Iranian oil production, thereby bringing to final and complete frustration plaintiff's efforts to market Iranian oil in free competition" (complaint, paragraph 10(i)(9)).

10. The plain meaning of these allegations is that Cities Service was "bought off" from doing business with plaintiff, but otherwise did not participate in the oil conspiracy; and that the alleged act of Cities Service in permitting itself to be "bought off" is the only act with which Cities Service is charged.

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PLAINTIFF'S TESTIMONY BY DEPOSITION

11. That this is the plain meaning of the allegations of the complaint was confirmed by plaintiff on his deposition, Exhibit 1 annexed hereto, where he testified (transcript, pp. 6075-77, 6146):

"Q. Do you put them [Cities Service] into the conspiracy which you allege, which you say began in 1928? A. No, sir.

"Q. You don't put them into this conspiracy until a very much later date, isn't that right? A. That's correct.

"Q. And what is the later date that you pick as the date on which you said they joined this conspiracy of the other defendants? A. The latter part of 1952 or the first part of 1953.

"Q. And what is the event which you believe justifies you in saying that they joined this conspiracy? A. The event was when they made the arrangements with Gulf Oil Corporation to take oil from Kuwait.

[11196] "Q. It is that event which led you to believe that Cities Service joined the conspiracy? A. As well as their ending up in the International Oil Consortium in Iran.

"Q. That came later? A. Yes."

\* \* \*

"Q. The event that you know of is the making of the contract with the Gulf Oil Company? A. Yes, sir.

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"Q. And that is why you put Cities Service into this complaint as a defendant; is that right? A. That's one reason.

"Q. And the other reason is the Consortium? A. The Consortium. That's all the reasons that I know of at this time."

\* \* \*

"Q. And of this morning you are telling me—and I assume truthfully—that the two events which you identify as causing you to name Cities Service as a defendant are the contract with Gulf and the entry into the Consortium? A. Yes, sir.

\* \* \*

"Q. Isn't that a correct statement of affairs, that with respect to the entire conspiracy recited in subdivisions 8 and 9, down to Kuwait, down to the making of the Kuwait contract, you have no complaint with respect to Cities Service? A. In general, I would say that is correct, sir."

12. Except for the making of the Kuwait contract, and the eventual alleged participation by Cities Service in the Consortium, plaintiff candidly admitted that he had no other charges to make against Cities Service (transcript, pp. 6152-59). In response to a series of questions covering every allegation of the complaint, of which the following are typical, plaintiff testified in this manner (transcript, pp. 6152-53):

"Q. I would like to have you put your mind to the period following the making of that contract, and

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to save time, all my questions will be related to the following: But for the making of the Kuwait contract and the reference to the Consortium—but for those two things. Think of that as a prefix to all the questions I am about to ask you for the next few minutes.”

\* \* \*

[11197] “But for those two events that have already been mentioned, have you any evidence to suggest that Cities Service was a party to a conspiracy or did any acts to further a conspiracy to divide foreign producing and marketing territories? A. I don’t know.

“Mr. Lane: The question is, have you ever.

“A. (Continuing) No.

“Q. But for those two events, have you any evidence that Cities Service was party to a conspiracy or did any acts in furtherance of a conspiracy to maintain and correlate domestic and world prices of petroleum and products? A. The same answer.

“Q. No? A. Yes.

“Q. And but for these two events, have you any evidence to suggest that Cities Service was a member of a conspiracy or did acts in furtherance of a conspiracy to control imports of petroleum and petroleum products into the United States? A. No.”

13. Plaintiff’s theory is thus clear. And it is wholly and totally wrong. For, the documentary evidence demolishes the assertion that the Kuwait contract was in any way re-

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lated to Cities Service's interest in Iranian oil. It demolishes the assertion that the offer by Gulf to sell crude oil from Kuwait to Cities Service was in any way related to Cities Service's interest in Iranian oil. It demolishes the claim that Cities Service was allowed by defendants to purchase a participation in the Consortium. It demolishes the claim that Cities Service ultimately became a member of the Consortium.

**THE KUWAIT CONTRACT: THE FIRST ALLEGED  
NEXUS OF THE ALLEGED CONSPIRACY**

14. Plaintiff conceded on his deposition that he had "... neither written nor oral evidence that Anglo-Iranian and Gulf in fact conspired to make such an offer to Cities Service" (Exhibit 1, p: 6077); that he had no "writing or any oral proof that Anglo-Iranian and Gulf conspired to make such an offer ... at any time" (Exhibit 1, pp. 6077-78); that he had, in fact, no "writing evidencing the assertion that ... in August or September, 1952, an offer for Kuwait oil was made by Gulf to Cities Service" (Exhibit 1, p. 6078).

[11198] 15. Indeed, plaintiff conceded that the only basis for his belief that the Kuwait offer was made in "late August or early September, 1952" was

(a) a newspaper clipping which plaintiff read in 1954, which stated that a deal had earlier been consummated between Cities Service and Gulf for Kuwait oil (Exhibit 1, pp. 6078, 6081, 6283-84); and



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(b) a statement made in plaintiff's presence in Iran in August or September, 1952, by the then President of Cities Service, Mr. W. Alton Jones, who allegedly stated that he had an offer on his desk in New York for oil from across the Gulf (presumably Kuwait) at a dollar a barrel (Exhibit 1, pp. 6078-79).

16. But even here, plaintiff admitted that he, plaintiff, was merely guessing that the offer had only recently been made (Exhibit 1, p. 6079). In fact, plaintiff apparently based his guess on the fact that Mr. Jones did *not* say when he had received the offer (Exhibit 1, p. 6079):

"Q. Did Mr. Jones say in the statement to which you have referred when he had received that offer?  
A. No.

"Q. What did you have to support the allegation of your complaint that the offer for oil from Gulf to Cities Service was made in August or September of 1952? A. It was the way Mr. Jones expressed it. He said, 'I understand there is an offer on my desk now in New York for oil from across the Gulf for a dollar a barrel.'

"Q. I asked you a minute ago whether anything that Mr. Jones said led you to believe that the offer had just been made. A. It was the attitude with which he expressed the idea that an offer was on his desk in New York.

"Q. And that was the basis of your conclusion? A. Yes, sir.

"Q. You have no other basis than that? A. Not at this time."

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[11199] 17. At another point in his testimony, plaintiff simply conceded: "I don't know when the offer was made" (Exhibit 1, p. 6082).

18. In contrast to plaintiff's unsupported guess, the documentary evidence is clear and overwhelming, and it shows plaintiff's guess to be wholly in error. Negotiations between Gulf and Cities Service for the purchase of Kuwait oil were initiated as early as 1948. The important terms of the present Kuwait contract were fully agreed upon long before Cities Service ever heard of or laid eyes upon plaintiff. Consequently, the Kuwait contract could have had no conceivable relation to Cities Service's dealings with plaintiff; and could not have been a "buy off" in any conceivable form.

19. Thus, the following documents establish beyond question that negotiations between Gulf and Cities Service for the purchase of Kuwait oil first began in late 1948; that the basic price and delivery features of the Kuwait contract were agreed upon by Cities Service and Gulf in early 1951, before Iran nationalized its oil industry; that the price formula was fully worked out between the parties by early 1952; that a draft of the Kuwait contract was approved by both parties in June of 1952; and that, on the very day that plaintiff met personnel from Cities Service for the first time (July 8, 1952, according to plaintiff, see Exhibit 1, p. 6187), the Operating Committee of Cities Service approved and recommended the acceptance by Cities Service of the proposed agreement, leaving only legal and mechanical details to be worked out:

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<u>Exhibit Number</u>	<u>Date of Document</u>	<u>Description of Document</u>
2	August 12, 1948	Telegram from W. A. Sinsheimer (Cities Service) to R. M. Bartlett (Gulf), suggesting meeting to discuss "long-term" proposition for the purchase of Kuwait oil.
3	August 14, 1948	Letter from Mr. Bartlett (Gulf) to Mr. Sinsheimer (Cities Service) expressing interest in "long term proposition" regarding Kuwait crude oil.
4	November 4, 1949	Cities Service memorandum, setting forth proposal by Gulf to process 10,000 barrels a day of Kuwait crude oil for Cities Service at the Philadelphia refinery of Gulf.
5	February 3, 1951	Letter from Mr. Bartlett (Gulf) to Burl S. Watson (Cities Service) referring to telephone conversation in which Cities Service had stated it was still interested in obtaining processing by Gulf of approximately 20,000 barrels a day of Kuwait crude oil at the Gulf Philadelphia refinery.
6	April 26, 1951	Minutes of meeting between Cities Service and Gulf to discuss sale and processing of 20,000 barrels a day of Kuwait crude oil for Cities Service at Gulf's Philadelphia refinery. Cities Service agrees to such arrangement, provided a 25¢ per barrel discount on the value of oil products is obtained.
7	April 27, 1951	Four letters from Cities Service marine department to major shipyards in United States, requesting quotes on the construction of tankers (for the proposed Kuwait trade).
8	May 25, 1951	Memorandum from George H. Hill, Jr. (Cities Service) to Mr. Bartlett (Gulf) enclosing 4-page memorandum setting forth terms of proposed Kuwait contract. Memorandum concerns sale and processing by Gulf of an average of 20,000 barrels

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<u>Exhibit Number</u>	<u>Date of Document</u>	<u>Description of Document</u>
		per day of Kuwait crude oil; oil to be imported by Cities Service and delivered to Gulf for processing at Gulf's Philadelphia refinery. Pricing terms use "(A+B)—(C+D+E)" formula appearing in final contract, with item "E" being the 25¢ per barrel discount guaranteed to Cities Service.
9	August 21, 1951	Letter from Mr. Watson (Cities Service) to Mr. Bartlett (Gulf) enclosing revised memorandum of the Kuwait agreement, and pointing out that at recent meeting with Gulf, substantial agreement was reached on all principles of the contract other than the tanker amortization provision.
10	October 5, 1951	Letter from Mr. Bartlett (Gulf) to Mr. Watson (Cities Service) enclosing revised memorandum of terms of Kuwait contract reflecting recent discussions with Cities Service, and expressing gratification that only "minor differences" remain to be ironed out. Memorandum enclosed contains terms substantially similar to Kuwait contract as finally signed.
11	November 10, 1951	Synopsis of proposed Kuwait contract, substantially similar to Kuwait contract as signed.
12	November 27, 1951	Letter from Mr. Hill (Cities Service) to Mr. Bartlett (Gulf), enclosing revised draft of agreement, stating that main difficulty remains the size of allowance for tankers to be constructed, and proposing seven-year amortization period, computed as though half the tankers were built in foreign yards, half in U. S. (draft omitted).
13	January 17, 1952	Letter from Mr. Bartlett (Gulf) to Mr. Watson (Cities Service) summarizing result of latest meetings, and stating that the major open item is agreement on maximum cost of tankers on 7-year pay-out basis. Several minor changes made, not affecting substance of agreement.

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<u>Exhibit Number</u>	<u>Date of Document</u>	<u>Description of Document</u>
14	February 26, 1952	Synopsis of proposed contract, showing sole open item to be tanker construction costs (appendices omitted).
15	April 23, 1952	Letter from Mr. Bartlett (Gulf) to Mr. Watson (Cities Service), setting forth Gulf's definitive offer of sale and processing of 21,000 barrels a day of Kuwait crude, based on recent discussions with Cities Service officials. Offer is said to "closely follow" proposal made by Cities Service, and offer contains the finally-accepted provision on tanker construction costs, earlier in dispute.
16	May 23, 1952	Letter from Mr. Hill (Cities Service) to Mr. Bartlett (Gulf): your letter of April 23 "is substantially in line with our latest conversations and it should furnish a basis for final discussions". Changes suggested for purposes of simplification only, and "will not, I believe, affect your position in any way".
17	June 16, 1952	Draft of Kuwait agreement containing every major provision contained in final agreement, and lacking only full technical and legal phraseology, definitions, details on mechanics of contract, etc.
18	June 30, 1952	Letter from Mr. Bartlett (Gulf) to Mr. Hill (Cities Service): "While I have no doubt that our respective law departments will wish to make changes in language for purposes of clarification, etc., before the final agreement is ready for execution by our respective companies, nevertheless we feel your draft, subject to the necessary clarifications mentioned below, covers the important points resolved after various discussions." Letter points out that final contract will require a force majeure clause, an assignment clause, provisions for billing gauging, loading, etc. (exhibits omitted).
19	July 3, 1952	Synopsis of proposed contract, containing terms as finally agreed to.



*Affidavit of George H. Hill, Jr., April 8, 1960, and  
Supporting Exhibits*

<u>Exhibit Number</u>	<u>Date of Document</u>	<u>Description of Document</u>
20	July 8, 1952	Inter-office Cities Service memorandum from Mr. Watson to Mr. W. Alton Jones, summarizing proposed contract.
21	July 8, 1952	Statement of Operating Committee of Cities Service, unanimously recommending that Kuwait contract be approved.
22	July 23, 1952	Inter-office Cities Service memorandum from Mr. Hill to Mr. Watson, stating that discussions were in progress on loading problems affecting Kuwait contract.
23	August 12, 1952	Letter from Mr. Bartlett (Gulf) to Mr. Hill (Cities Service) enclosing draft Kuwait agreement (draft omitted).
24	October 2, 1952	Letter from Mr. Bartlett (Gulf) to Mr. Hill (Cities Service), enclosing revised drafts of agreement (drafts omitted).
25	October 7, 1952	Letter from Mr. Bartlett (Gulf) to Mr. Hill (Cities Service), enclosing revised versions of certain pages of proposed contract (revised pages omitted).
26	October 17, 1952	Letter from Mr. Hill (Cities Service) to Mr. Bartlett (Gulf), suggesting technical changes (memorandum omitted).
26a	November 13, 1952	Letter of Grand Bassa Tankers, Inc. (a wholly-owned subsidiary of Cities Service) to Newport News Shipbuilding and Dry Dock Company, accepting bid for the construction of four super-tankers designed for the Kuwait trade.
27	December 16, 1952	Summary of proposed Kuwait contract.
28	January 26, 1953	The Agreement between Cities Service and Gulf for the sale and processing of Kuwait oil, containing the terms agreed to on April 23, 1952.

*Affidavit of George H. Hill, Jr., April 8, 1960, and  
Supporting Exhibits*

20. The above documents, I submit, conclusively establish that plaintiff's conjectures are wholly fallacious, and that there is no triable issue of fact relating to the Kuwait contract. They show that negotiations for the purchase of Kuwait oil commenced not in "late August or early September, 1952", but years earlier, and that agreement on all major provisions of the Kuwait contract was reached long before Cities Service had its first contact with plaintiff. They show, further, that long-term, multi-million dollar transactions such as the Kuwait contract are not conceived and concluded virtually overnight, as plaintiff apparently believes, but that many months are required even to draft the contract after agreement has been reached on its terms. In short, the documents establish a single, integrated course of negotiations culminating in a contract, which negotiations long antedated, and proceeded wholly independent of, plaintiff's relations with Cities Service.

THE SECOND ALLEGED NEXUS  
TO THE ALLEGED CONSPIRACY

21. The only other alleged connection between Cities Service and the alleged conspirators, according to plaintiff, is, in the words of the complaint: "As a further consequence of this conspiracy (the alleged Gulf-Anglo-Iranian-Kuwait conspiracy) Cities Service eventually gained a participation in the Consortium Agreements relating to the Iranian oil hereinafter described" (complaint, paragraph 10(i)(6), page 20) and "shortly after the signing of the initial Consortium Agreements Cities Service was permitted to purchase a participation in the Consortium" (complaint, paragraph 10(i)(9), page 21).

*Affidavit of George H. Hill, Jr., April 8, 1960, and  
Supporting Exhibits*

[11204] 22. Plaintiff conceded, however, that he had "nothing in writing" to support the allegation of his complaint that Cities Service was permitted to purchase a participation in the Consortium as a consequence of the alleged Kuwait transaction; and that nobody "on behalf of Cities Service" told him so; and that none of the defendants told him so; but that the allegation to that effect was an inference, drawn "from the fact that [he] believe[d] Cities Service was offered, was permitted to purchase a participation in the Consortium" (Exhibit 1, page 6085).

23. Again, the documentary evidence establishes that plaintiff is simply wrong: no defendant extended permission to Cities Service to "purchase a participation in the Consortium" (complaint, paragraph 10(i)(9)); indeed, Cities Service never did become a member of the Consortium!

24. The documents establishing these facts are annexed hereto as the following exhibits:

Exhibit 29 — Press release of the Department of State dated December 7, 1954, setting forth arrangements whereby additional American oil companies could apply for participation in the Iranian Oil Consortium, noting that Price Waterhouse & Company will "... determine whether any interested company possesses the responsibility to undertake the obligations required to be assumed in connection with the participation it seeks".

Exhibit 30 — Copies of letter dated December 15, 1954, to Mr. P. Rappaport of Price Waterhouse & Company from George H. Hill, Jr. (Cities Service) requesting a copy of the press release and other pertinent information concerning the Consortium.

*Affidavit of George H. Hill, Jr., April 8, 1960, and  
Supporting Exhibits*

- Exhibit 31 —Letter dated December 15, 1954, from Price Waterhouse & Company to Mr. Hill furnishing the requested information.
- Exhibit 32 —Enclosure to Price Waterhouse letter of December 15, 1954, including the press release by the State Department, general information, letter opinions of the Attorney General (press release omitted).
- Exhibit 32a—Letter dated December 27, 1954, from Mr. Hill to Mr. Rappaport, requesting instructions and forms for application.
- Exhibit 33 —Letter dated December 27, 1954, to Mr. Hill from Price Waterhouse specifying information required.
- Exhibit 34 —Letter dated January 5, 1955, to Mr. Rappaport from Mr. Hill enclosing a number of items called for in letter of December 27 (items omitted).
- Exhibit 35 —Letter dated January 14, 1955, from Mr. Hill to Mr. Rappaport enclosing additional information (additional information omitted).
- Exhibit 36 —Letter dated January 19, 1955, from Price Waterhouse to Mr. Hill, acknowledging receipt of prior two letters and requesting that Cities Service specify the participation it desired.
- Exhibit 37 —Copy of letter dated January 21, 1955, to Mr. Rappaport from Mr. Hill, completing furnishing of information and requesting the entire 5% participation.
- Exhibit 38 —Letter dated February 10, 1955, from Price Waterhouse to Mr. Hill, stating that Price Waterhouse is "of the opinion that Cities Service Company is an established American oil company and that it has sufficient responsibility to participate in the Iranian Consortium to the extent of 5%".

*Affidavit of George H. Hill, Jr., April 8, 1960, and  
Supporting Exhibits*

- Exhibit 39 — Copy of telegram dated March 4, 1955, from George V. Allen, Assistant Secretary of State, to B. S. Watson, President of Cities Service, stating that the Iranian government has accepted Cities Service as a member and inviting Cities Service to send representatives to a meeting of the State Department to discuss further procedures.
- Exhibit 40 — Letter dated March 8, 1955, to Mr. Watson from Mr. Allen, confirming telegram of March 4, noting that Price Waterhouse had been "selected to determine whether any interested company possessed the responsibility . . ." to undertake the obligations set forth in the Consortium, and noting that ten other companies had likewise been approved both by Price Waterhouse and the Government of Iran (enclosures omitted).
- Exhibit 41 — Letter dated March 10, 1955, to Mr. Watson from Willis C. Armstrong, Deputy Director, Office of International Trade and Resources of the State Department, listing persons who attended March 8 meeting.
- Exhibit 42 — Copy of memorandum dated March 10, 1955, re Iranian Consortium prepared by George H. Hill, Jr. concerning meeting held at the State Department on March 8, 1955.
- Exhibit 43 — Memorandum dated March 16, 1955, to the eligible applicants for interests in the Iranian Consortium from the five original participants.
- Exhibit 44 — Telegram dated March 17, 1955, from the Department of State to Mr. Watson, stating that the Iranian government has accepted American Independent Oil Company as a member of the Consortium.
- Exhibit 45 — Informal minutes of meeting of qualified applicants for the purchase of 5% interest in Iranian Consortium held at 2 p. m. on March 17, 1955.



*Affidavit of George H. Hill, Jr., April 8, 1960, and  
Supporting Exhibits*

- Exhibit 46 — Series of telegrams, confirmations and letters to original members of Consortium from Atlantic Refining, Standard of Ohio, Signal Oil and Gas, Pacific Western Oil, Richfield, Anderson-Prichard, Hancock Oil and Tidewater Associated Oil Co., dated March 23, March 24, March 25 and March 26, concerning acceptance of 5% and method of allocating the available 5% among the twelve interested companies.
- Exhibit 47 — Telegram dated March 23, 1955, from George H. Hill, Jr. to other eligible companies, calling a meeting for Monday, March 28.
- Exhibit 48 — Telegram dated March 25, 1955, from George V. Allen, Assistant Secretary of State, to Mr. Hill, concerning distribution of 5% interest among eligible companies.
- Exhibit 49 — Informal minutes of meeting of qualified applicants held March 28, 1955 at 11 a. m.
- Exhibit 50 — Informal minutes of meeting of qualified applicants held on March 29, 1955 at 4 p. m.
- Exhibit 51 — Copy of memorandum dated March 29, 1955, to Mr. Herbert Hoover, Jr., from the eligible companies requesting Mr. Hoover to determine the methods of allocation of 5% interest among the companies.
- Exhibit 52 — Copy of Argument for Equal Participation addressed to Mr. Hoover, dated March 29, 1955.
- Exhibit 53 — Copy of draft of Statement in Support of Proportionate Division (undated).
- Exhibit 54 — Copy of letter dated March 30, 1955, to Mr. Hoover from the attorney for American Independent Oil Company.

*Affidavit of George H. Hill, Jr., April 8, 1960, and  
Supporting Exhibits*

- Exhibit 55 — Copy of memorandum dated March 30, 1955, from Mr. Herbert Hoover, Jr., recommending equal participation.
- Exhibit 56 — Informal minutes of meeting of qualified applicants held March 31, 1955 at 10:30 a. m.
- Exhibit 57 — Telegram dated April 4, 1955, to Mr. Hill from Sinclair Oil Corp., advising Cities Service that Sinclair had withdrawn in favor of Richfield Oil Corporation, and that Richfield had accepted assignment of Sinclair's interest.
- Exhibit 58 — Copy of telegram sent April 18, 1955, to other participants by Mr. Hill, advising that Cities Service had withdrawn in favor of Richfield. Cities Service owns a 31% interest in Richfield Oil Corporation, while another 31% interest in Richfield is owned by Sinclair Oil Corporation.
- Exhibit 59 — Waiver of Interest and Assignment dated April 18, 1955 by Cities Service to Richfield Oil and Acceptance dated April 18, 1955, by Richfield Oil of Cities Services interest.

25. The foregoing documents overwhelm plaintiff's surmise about the alleged participation by Cities Service in the Iranian Consortium. They show that Cities Service never became a member of the Consortium; that it had, at best, only an opportunity to do so, of which it never availed itself, but instead transferred that opportunity to Richfield Oil Corporation. Moreover, the documents establish beyond question that Cities Service was not a participant in the Iranian Consortium; that nearly two years after the signing of the Kuwait contract it fought unsuccessfully in order to gain more than a minimal interest in the Consortium; and that failing to gain a more substantial interest, it elected not to participate.

## CONCLUSION

26. Thus, the documentary evidence annexed to this affidavit, together with the admissions made by plaintiff in his complaint and testimony, show that there is no material issue of fact affecting Cities Service. Plaintiff made a hasty guess, and on the basis of that guess brought a lawsuit against Cities Service. The documentary evidence establishes plaintiff's guess to be wholly and undebatably false.

27. Yet, on the basis of this guess, plaintiff has involved Cities Service in a lawsuit of unusual magnitude. Pre-trial examinations have already consumed four years. Over seven thousand printed pages of testimony have been taken, and over one thousand exhibits marked. The litigation cost to Cities Service, in terms of money and time, has been enormous, and promises to be greater still.

28. I respectfully submit, and I am so advised, that Rule 56 of the Federal Rules of Civil Procedure was intended to relieve a defendant of the unfair burden of participating in a case of this magnitude where the plaintiff's allegations are so demonstrably lacking in foundation.

WHEREFORE, I respectfully request that the motion for summary judgment in favor of defendant Cities Service be granted.

(Sworn to by George H. Hill, Jr. on March 31st 1966.)

# EXHIBIT 2, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.

PETROLEUM ADVISERS, INC.  
SIXTY WALL TOWER  
NEW YORK 8, N. Y.

7/1

FAST TELEGRAM	
DAY LETTER	
NIGHT LETTER	X
CHECK CLASS OF SERVICE DESIRED	X

## TELEGRAM

BE BRIEF

LEAVE BLANK
CHARGE ACCOUNT Petroleum Advisers
SENT BY WAS
STENOGRAPHER ceb

SEND THE FOLLOWING TELEGRAM TO

DATE August 12, 1948

Mr. R. M. Bartlett, President  
Gulf Oil Corporation  
Gulf Building  
Pittsburgh, Pennsylvania

Reference Kuwait Crude Offer:  
Based on your quotations no basis on which boat will available for lifting two cargoes last quarter the delivered price to us at New York would be about the same shipping crude by tank car from West Texas to the Gulf and thence by Tanker. We are deeply appreciative of your offer and the time you gave us to work it out but everything considered it does not appear as though the short-term deal is interesting enough to attempt to close with you. Shortly after Labor Day hope to meet with you and begin discussions with you on long-term proposition. Regards

V. A. Sinsheimer

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EXHIBIT 3, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.



PETROLEUM AND ITS PRODUCTS

GULF OIL CORPORATION

GULF BUILDING - PITTSBURGH 30, PA.

August 14, 1948

7/11/48  
K  
Exclusive Representative  
GULF REFINING  
COMPANY

Mr. W.A. Sinsheimer  
Cities' Service Oil Company  
70 Pine Street  
New York City

Dear Mr. Sinsheimer:

Thank you very much for your Western Union telegram of August 12, advising that you are not interested at this time in two cargoes of Kuwait crude on the basis of \$1.75 a barrel f.o.b. Fahahseel, inasmuch as you feel it is about as cheap to ship West Texas crude by tank car to the Gulf, thence by tanker to your Refinery. If the situation should change, however, we shall greatly appreciate your getting in touch with us.

I was very much interested in your statement that you expect Mr. Burl Watson to get in touch with Mr. Swensrud shortly after Labor Day to discuss long-term proposition.

With kindest regards,

Sincerely yours  
GULF OIL CORPORATION

*R.M. Bartlett*  
R.M. Bartlett  
Vice President

RHB:cr



EXHIBIT 4, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

11/4/49

GULF'S PROPOSAL FOR SALE OF KUWAIT CRUDE TO CITIES SERVICE

1. Cities will purchase for period of ten years, starting December 1, 1949, cancellable at the end of any year on six months' written notice, 10,000 B/D Kuwait crude.

Cities will pay Gulf for the Kuwait crude purchased the going price for Kuwait crude, f.o.b. tanker Mena al Ahmedi, now \$1.75 per barrel.

Gulf will charter tankers to Cities for transportation of Kuwait crude to Gulf's Philadelphia refinery. The charter rate for each tanker lifting of Kuwait crude will be determined so that the total cost to Cities of Kuwait crude delivered Gulf's Philadelphia refinery, including import duty, will be the same as the calculated cost of 34.0-34.9 Gravity Permian West Texas crude delivered Philadelphia. Rate for tanker transportation of Permian West Texas crude to Philadelphia shall be agreed on each year and shall be used for the succeeding 12 months' period.

2. Cities will import the Kuwait crude into the United States and pay the import duty.

3. Gulf will process the Kuwait crude purchased by Cities at its Philadelphia, Pennsylvania refinery for Cities' account at a processing charge of 80¢ per barrel, and will deliver into Cities certain equipment at Philadelphia refinery 33% Housebrand Gasoline and 22% Premium Gasoline, 5% Kerosene, 15% No. 2 Fuel Oil, and 20% residual fuel oil, provided Cities processes a like quantity of 34.0-34.9 Gravity Permian West Texas crude for Gulf's account at its Lake Charles, Louisiana refinery at a processing charge of 80¢ per barrel and delivers to Gulf's certain equipment the same percentage quantities of products. Specifications for

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*Exhibit 4, Annexed to Affidavit of George H. Hill, Jr.*

products will be mutually agreed on.

Cost of tanker and barge loadings are included in the processing

5. barge. Additional charges for loading into tank cars and tank trucks.

Gulf will deliver the west Texas Permian crude that Cities will process at Lake Charles, under Item 3, at no charge to Cities.

5. If the U. S. Government restricts the importation of Kuwait crude, Gulf agrees to sell Cities Permian West Texas crude, or some other suitable Western Hemisphere crude, properly equated in quality, to the amount of such curtailment. The processing agreement outlined in Item 3 above shall be reduced by an amount equal to the curtailment of import of Kuwait crude.

# EXHIBIT 5, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.



PETROLEUM AND ITS PRODUCTS

## GULF OIL CORPORATION

GULF BUILDING · PITTSBURGH 30, PA.

February 3, 1951

INCLUDING SUBSIDIARY  
GULF REFINING  
COMPANY

Mr. Burl S. Watson, Vice President  
Cities Service Company, Inc.,  
Sixty Wall Street  
New York 5, N. Y.

Dear Mr. Watson:

Referring to our telephone conversation of January 31 in which you stated you were still interested in our processing about 20,000 b/d Kuwait Crude at our Philadelphia refinery, it would be very helpful if you would give us the quantity and quality of the products you would require so that our Manufacturing Department can determine how close we can come to making them out of Kuwait Crude.

I was particularly interested to hear that you were pursuing the possibilities of expanding your refinery facilities but had more or less abandoned E. Braintree, Massachusetts, as a site, due to inability to utilize large tankers, and were now studying the economics of a fairly large-size refinery at Linden, N. J. where you are now operating a small asphalt plant. You stated you felt you could readily acquire additional property and inquired if we thought Gulf would be interested in a joint venture.

We greatly appreciate your giving us an opportunity to consider this and I will bring this matter to Mr. Svensrud's attention on his return to the office next week.

Sincerely yours,

*R. W. Smith*  
Vice President

REB:mc

11213

EXHIBIT 6, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.Kuwait Crude Meeting with Gulf Oil Corporation, April 26, 1951

Mr. R. Bartlett of the Gulf Oil Corporation and the writer discussed with Mr. Watson the general possibilities of Gulf and Cities Service entering into an agreement to import Kuwait crude and have it processed for Cities Service at the Philadelphia refinery of the Gulf Oil Corporation. Gulf are expanding their refinery at Philadelphia and believe that they could process crude for us for at least 25¢ per barrel cheaper than if we were to build a new East Coast refinery for a capacity of 20,000-25,000 daily barrels. They are willing to include 20,000 barrels additional capacity in their expansion program dedicated to Cities Service providing we, in turn, purchase from them and import Kuwait crude in order, of course, for Gulf to recapture their large investment in the Middle East crude fields.

Two apparent problems were discussed at some length, namely, the question of transporting the crude oil from the Middle East, and the spread Cities Service should receive between what Gulf charges us and the value of the products we receive from the crude oil processed. Mr. Watson suggested that for the purpose of transporting the crude oil a jointly-owned separate company be set up which would purchase the required number of tankers (six tankers for 20,000 barrels per day crude run at Philadelphia), and be permitted to charge at a sufficient rate to pay off the tanker investment in approximately 7-8 years, which investment Mr. Bartlett estimated would be \$38,000,000. Mr. Bartlett further stated that in their studies a tanker rate of \$1.00 per barrel would give a 7-8 year payout on the indicated \$38,000,000 required investment. Incidentally, the investment stated was for United States built tankers and it was agreed that their operation would probably be under a foreign flag.

Mr. Bartlett agreed to discuss the transportation problem, as suggested by Mr. Watson, with Mr. Swensrud, but he was skeptical that such an arrangement would be possible. He personally did not have in mind Gulf furnishing any trans-

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*Exhibit 6, Annexed to Affidavit of George H. Hill, Jr.*

2.

portation for Cities' crude oil even though the rate charged would give the indicated 7-8 year payout.

The yields from Kuwait crude suggested for our consideration were as follows:

Premium Gasoline	11.5%
Housebrand "	26.9%
No. 2 Fuel Oil	27.0%
No. 6 " "	33.3%

Figures prepared by Gulf indicate this yield would have a value of \$3.54 per barrel based on the low of Platt's Oilgram for the Gulf Coast with transportation at 20% off the present maritime rate. The cost of the crude furnished by Gulf indicated a \$1.60 per barrel at the well with a \$1.00 transportation charge, and 16¢ duty, totalling \$2.78; incidentally based on present West Texas of \$2.42 per barrel. The difference between the value of the yield and the cost of the crude delivered to Philadelphia would be 76¢ using the above figures. The processing fee mentioned by Mr. Bartlett was 60¢, which leaves us a spread of only 16¢ per barrel. Mr. Watson indicated to Mr. Bartlett that a minimum of 25¢ per barrel between product value and crude and processing costs was essential for our finalizing any deal with the Gulf Oil Corporation.

The capacity of 20,000 daily barrels, as discussed, would not be available at the Gulf refinery in Philadelphia until some time probably the latter part of 1951. At that time Cities agreed that the 20,000-barrel figure would be in order but we had hoped to have Gulf process for us at least a part of this quantity beginning with the fall of 1951. Mr. Bartlett agreed to develop with his people the possibility of their processing 5,000 barrels per day of crude starting, at our suggestion, with August or September of this year, and either continuing until the large deal goes into effect, or terminating some time in March or April of 1952, using either Kuwait crude or possibly Gulf's Venezuela crude, recognizing, of course,

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*Exhibit 6, Annexed to Affidavit of George H. Hill, Jr.*

that from Gulf's standpoint the Kuwait crude would be much more preferable. Using the Kuwait crude, of course, would present very much more of a difficult transportation problem due to the time difference involved between the Middle East and Venezuela, and Cities was asked to develop the possibility of either furnishing our own transportation or of "swapping" transportation in some way to correct for this difference in time and, therefore, volume of crude handled per tanker.

The product specifications were briefly discussed and Mr. Bartlett pointed out that they probably could not meet our specifications and would obviously prefer our taking Gulf's specifications, due primarily to the problem of segregation in their refinery's lines and tankage. It was agreed that the writer would discuss this question with Mr. Barnes and it was not anticipated that any difficulty would arise from this particular question. It was further agreed that both Cities Service and Gulf Oil Corporation, in the event we proceed with the deal as outlined, would apply for a five-year amortization acceleration certificates for the investments involved.

In summary, Mr. Watson agreed that if the Gulf Oil Corporation would be willing to supply half of the tankers required for transporting 20,000 barrels per day of Kuwait crude to Philadelphia, obviously at such a rate to permit a 7-8 year payout, after which Cities would then be required to furnish their own transportation at Gulf's option and, further, if a minimum spread of 25¢ would be made between the product value and cost, he felt that the proposition as outlined would be acceptable to Cities Service. It was agreed that Mr. Bartlett would develop these points with Mr. Swensrud and that the writer would discuss and agree with Mr. Barnes on the operational data involved, after which it would be in order to proceed with a written contractual obligation, providing a mutually agreeable understanding is reached.

As an alternate to the processing arrangement discussed above, Mr. Watson asked Mr. Bartlett to develop the possibility of Cities Service buying into the Gulf-owned Kuwait reserves, which Mr. Bartlett estimated approximates 10,000,000,000 barrels. Mr. Watson stated we would probably be interested in about 10% of this figure.

11216  
G. L. Maser

EXHIBIT 7, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

April 27, 1951

3 121  
Sun Shipbuilding and  
Drydock Company  
Chester, Pennsylvania

Dear Sir:

We are in the market to have built for  
us two tank steamers between 28 and 32,000 tons, dead-  
weight, and would like to discuss this matter with your  
representative at your early convenience.

Very truly yours,

C.S.  
s

*Exhibit 7, Annexed to Affidavit of George H. Hill, Jr.*3  
April 27, 1951

Bethlehem Steel Company  
Shipbuilding Division  
25 Broadway  
New York, New York

Dear Sir:

We are in the market to have built for us two tank steamers between 28 and 32,000 tons, deadweight, and would like to discuss this matter with your representative at your early convenience.

Very truly yours,

C.S.  
S

11218

*Exhibit 7, Annexed to Affidavit of George H. Hill, Jr.*

April 27, 1951

3101

New York Shipbuilding Corp.  
420 Lexington Avenue  
New York, New York

Dear Sirs:

We are in the market to have built for us two tank steamers between 28 and 32,000 tons, deadweight, and would like to discuss this matter with your representative at your early convenience.

Very truly yours,

C.S.  
S

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*Exhibit 7, Annexed to Affidavit of George H. Hill, Jr.*

April 27, 1951

3101  
New Port News Shipbuilding &  
Drydock Company  
90 Broad Street  
New York, New York

Dear Sirs:

We are in the market to have built for  
us two tank steamers between 28 and 32,000 tons, dead-  
weight, and would like to discuss this matter with your  
representative at your early convenience.




Very truly yours,

C.S.  
S

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EXHIBIT 8, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

	<b>CITIES</b>  <b>SERVICE</b>	
From the Desk of <b>Geo. H. Hill, Jr.</b>		<b>May 25, 19 51</b>
TO <b>Mr. R. W. Bartlett</b>		
<p>Attached is memorandum re purchase of Kuwait crude. After you have had an opportunity to read it, suggest you call either Watson or me.</p>		

11221

*Exhibit 8, Annexed to Affidavit of George H. Hill, Jr.***MEMORANDUM**

RE: Proposed purchase 20,000 b/d Kuwait crude from Gulf Oil Corporation

May 25, 1951

Cities Service desires to purchase from Gulf and Gulf desires to sell to Cities Service an average of 20,000 bbls. of Kuwait crude oil per calendar day. The transaction if consummated will contemplate that Cities Service will take title to the crude F.O.B. Persian Gulf and will transport it to Gulf's refinery at Philadelphia; that Gulf will process the crude for the account of Cities Service and will deliver to Cities Service at Gulf's Philadelphia refinery the products derived therefrom. The purpose of this memorandum is to summarize the discussions thus far and possibly to serve as a basis for definitive contracts.

1. It has been estimated that 6 tankers of from 27,000 to 30,000 dead weight tons each will be required to transport the crude purchased. Cities Service will construct, purchase and/or charter these boats and devote them exclusively to this service. The boats will be under foreign flag and may be built either in the United States or abroad as may be desired by Cities Service.

2. The mechanics for furnishing such boats have not been finally determined. It has been suggested that a company be formed owned jointly (50% each) by Cities Service and Gulf. This company would own the stock of two subsidiaries, one of which would be under general supervision of Gulf, the other under the supervision of Cities Service. Each of the subsidiaries would own or

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*Exhibit 8, Annexed to Affidavit of George H. Hill, Jr.*

- 2 -

charter 6 tankers of the type described above. In this manner neither Cities Service nor Gulf would own controlling interest in the tanker operation and debts of the subsidiaries would not have to appear on the consolidated balance sheets of the companies but could be handled through a footnote. This point will require further study by Cities Service, however, it is understood that Gulf is not particularly concerned whether Cities Service decides on a joint company as described or furnishes its 6 boats through a subsidiary owned entirely by Cities Service.

3. Deliveries of the crude would begin as soon as any of the Cities Service boats are placed in operation and would be increased as more of the tankers become available until an average of 20,000 b/d is being delivered.

4. Crude will be imported by and duty thereon paid by Cities Service, and will be delivered to Gulf's refinery at Philadelphia where it will be processed by Gulf for account of Cities Service. Yields will be agreed upon between the parties but Gulf agrees that such yields shall at least equal Gulf's average at the refinery.

5. Specifications for the products shall be agreed upon between the parties and included in final contract.

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*Exhibit 8, Annexed to Affidavit of George H. Hill, Jr.*

- 3 -

6. Cities Service shall pay to Gulf for the crude delivered and the processing thereof the following:

A + B - C - D - E times Barrels of Products Delivered

In the foregoing formula:

A = An amount per barrel of product delivered to Cities Service at Gulf's Philadelphia refinery equal to Platt's law for such product on the Gulf Coast on the day of delivery to Cities Service.

B = 80% of the U. S. Maritime rate for transportation by tanker of such product from the Gulf Coast to Philadelphia in effect on the date of delivery.

C = An amount per barrel to be agreed upon by the parties and to be recomputed each six months of this contract, which amount shall be calculated to equal at the end of this contract the total cost of the tankers supplied by Cities Service plus all operating costs, plus costs of insurance, plus interest on the money invested in such tankers at the rate of 4% per annum. Cities Service will agree that the tanker operating costs shall not exceed the average cost Gulf incurs in operating its own foreign flag tankers of similar size in similar service.

D = The amount of duty paid per barrel by Cities Service on the importation of the crude oil.

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*Exhibit 8, Annexed to Affidavit of George H. Hill, Jr.*

- 4 -

2 = 25 cents per barrel.

7. The agreement between the parties shall terminate 7 years from the date the last of the 6 tankers furnished by Citicor Service under Paragraph 1 above is put into service.

✓ 11225



# EXHIBIT 9, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.

August 21, 1951

Mr. E. M. Bartlett, Vice President  
Gulf Oil Corporation  
Gulf Building  
Pittsburgh 30, Pennsylvania

Dear Mr. Bartlett:

There is enclosed a revision of the memorandum previously sent you in connection with the proposed purchase by Cities Service of Kuwait crude oil. The only change of any substance in the memorandum is contained in paragraph 6.

You will recall that at our last conference which was attended by Mr. Swensrud, we seemed to be in substantial agreement on the principles of the proposed contract with the exception that Mr. Swensrud felt the 7 year amortization period was all right with you people for foreign built ships, but was too short for those built in this country.

Since our talk we have made additional investigations of the condition of foreign shipyards and it seems almost certain that if we are to secure boats within the next four or five years, we must have those built in this country. Of course, there is considerable advantage to both Gulf and ourselves to get the proposed program under way as soon as possible. In fact we do not feel our Company would be interested in the transaction if we are required to wait four or five years before deliveries can begin.

We do believe, however, that a 7 year amortization of capital costs in a proposition of this kind is reasonable and is as far as we would like to go. Nevertheless, in order to attempt to meet Mr. Swensrud's objection to some extent, and to more or less split the difference, we have had a computation made using three American and three foreign built ships. The \$1.30 figure contained in paragraph 6 of the attached is based on this computation plus operating expenses furnished us by you plus interest on the investment.

In addition we have provided in paragraph 7 for a possible extension of the term of the contract beyond the 7 year period. During any extension the depreciation or amortization charge would be reduced to a rate based on a 20 year life for the tankers.

It is our thought that we should wind up our negotiations on this as soon as possible in order to obtain as good a position as possible in the shipyards.

Very truly yours,

B.S. Watson

11226

*Exhibit 9, Annexed to Affidavit of George H. Hill, Jr.***MEMORANDUM**

RE: Proposed purchase 20,000 b/d Kuwait  
crude from Gulf Oil Corporation

August 21, 1951

Cities Service desires to purchase from Gulf and Gulf desires to sell to Cities Service an average of 20,000 bbls. of Kuwait crude oil per calendar day. The transaction if consummated will contemplate that Cities Service will take title to the crude F. O. B. Persian Gulf and will transport it to Gulf's refinery at Philadelphia; that Gulf will process the crude for the account of Cities Service and will deliver to Cities Service at Gulf's Philadelphia refinery the products derived therefrom. The purpose of this memorandum is to summarize the discussions thus far and possibly to serve as a basis for definitive contracts.

1. It has been estimated that 6 tankers of from 27,000 to 30,000 dead weight tons each will be required to transport the crude purchased. Cities Service will construct, purchase and/or charter these boats and devote them exclusively to this service. The boats will be under foreign flag and may be built either in the United States or abroad as may be desired by Cities Service.

2. It is understood that if Cities Service desires, Gulf is willing to enter into an arrangement under which a corporation will be formed owned jointly (50% each) by Cities Service and Gulf, which corporation in turn would own the stock of two subsidiaries, each of which would own or charter 6 tankers of

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*Exhibit 9, Annexed to Affidavit of George H. Hill, Jr.*

- 2 -

the type above described. One such subsidiary would be under the general supervision of Gulf, the other under the supervision of Cities Service. It is immaterial to Gulf whether this mechanism is used, or whether Cities Service furnishes its transportation in some other manner.

3. Deliveries of the crude would begin as soon as any of the Cities Service boats are placed in operation and would be increased as more of the tankers become available until an average of 20,000 b/d is being delivered.

4. Crude will be imported by and duty thereon paid by Cities Service, and will be delivered to Gulf's refinery at Philadelphia where it will be processed by Gulf for account of Cities Service. Yields will be agreed upon between the parties but Gulf agrees that such yields shall at least equal Gulf's average at the refinery.

5. Specifications for the products shall be agreed upon between the parties and included in final contract.

6. Cities Service shall pay to Gulf for the crude delivered and the processing thereof the following:

A + B - C - D - E times Barrels of products Delivered

In the foregoing formulas

A = An amount per barrel of product delivered to

Cities Service at Gulf's Philadelphia refinery

equal to Platt's low for such product on the Gulf

11228

*Exhibit 9, Annexed to Affidavit of George H. Hill, Jr.*

- 3 -

Coast on the day of delivery to Citice Service.

B = 100% of the U. S. Maritime rate for transportation by tanker of such product from the Gulf Coast to Philadelphia in effect on the date of delivery.

C = An amount per barrel to be computed each three months of this contract. As of the date of this memorandum such amount is determined to be \$1.30 per barrel. This amount is based in part on Gulf's present operating expenses (excluding depreciation and interest) for its own foreign flag tankers of similar size in similar service. A breakdown of such operating expenses is attached hereto as Exhibit "A". Gulf will furnish Citice Service with a similar breakdown of operating expenses at the time the first tanker supplied by Citice Service under this agreement is placed in service, and thereafter each three months. The \$1.30 per barrel hereinafter referred to shall be adjusted up or down at the time the first Citice Service tanker goes into service and thereafter each three months of the contract, based upon Gulf's operating expenses as shown by said breakdown.

D = The amount of duty paid per barrel by Citice Service on the importation of the crude oil.

E = 25 cents per barrel.

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*Exhibit 9, Annexed to Affidavit of George H. Hill, Jr.*

- 4 -

7. The agreement between the parties shall terminate 7 years from the date the last of the 6 tankers furnished by Citicor Service under Paragraph 1 above is put into service. In the event the parties agree to continue the arrangements provided for in the contract for a period beyond its expiration date, all provisions of the contract will continue except that the amount represented by "C" in the formula included in paragraph 6 above shall be adjusted to equal the sum of the followings:

(a) Gulf's operating costs (exclusive of depreciation and interest) for tankers of similar size in similar service as shown by breakdowns of expenses furnished to Citicor Service each three months.

(b) Depreciation of Citicor Service investment in its tankers at the rate of 5% per annum.

(c) Interest on Citicor Service investment in such tankers at the rate of 4% per annum.

8. It is recognized that the amount represented by "C" in the formula included in paragraph 6 is based on present estimated cost of construction of super tankers both in this country and abroad, and if such construction costs materially increase prior to signing a formal contract between the parties this amount will have to be adjusted accordingly.

11230



## Exhibit 9, Annexed to Affidavit of George H. Hill, Jr.

~~CONFIDENTIAL~~  
 GULF OIL CORPORATION  
 COST OF TANKER TRANSPORTATION OF CRUDE OIL  
 FROM LAKE CHARLES TO PHILADELPHIA  
 PER BARREL

Wages	.0625
Food	.0165
Supplies and Expense	.0330
Hull and Machinery Insurance	.0625
P. & I. and Social	.0185
Cargo Insurance	.0055
Fuel	.2209
Port Charges	.0126
Canal Tolls	.1250
Maintenance	.0600
Overhead	.0352
Cargo Losses	.0135
Total	.6777

August 21, 1931

11231

191a

EXHIBIT 10, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.



PETROLEUM AND ITS PRODUCTS

*Hill*  
*Geo*  
**GULF OIL CORPORATION**

GULF BUILDING · PITTSBURGH 30, PA.

October 5, 1951

INCLUDING SUBSIDIARY  
GULF REFINING  
COMPANY

*Mr*  
R. M. BARTLETT  
VICE PRESIDENT

Mr. B. S. Watson, Vice President  
Cities Service Company, Inc.  
60 Wall Street  
New York 5, New York

PROPOSED BASIS, PROCESSING KUWAIT  
CRUDE, PHILADELPHIA

Dear Mr. Watson:

In line with my telephone conversation with you yesterday from Washington, I am attaching a revised draft of the above, dated October 3rd, which I believe clarifies some of the points raised during my meeting with you and Mr. Hill in your office Thursday, September 27th, when we went over our draft dated September 24 which I left with you.

You stated that your people were going over this matter very carefully and hoped to be in position to discuss this with us possibly sometime next week. I was glad to hear you say that you agreed for the most part with our write-up and that there were only a few minor differences which you thought could be ironed out during our next meeting.

We wish to call your attention to the last statement attached to the draft, showing the method of arriving at the fixed cost of transportation from Kuwait to Philadelphia in United States, French and British built tankers, operating under the Liberian flag, and based on paying out the tanker investment in seven years.

With kindest regards.

Sincerely yours,

*R. M. Bartlett*  
Vice President

RMB:mar  
Attach.

11232

## Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.

10/3/51

Gulf DraftCITIES SERVICE OIL COMPANY, INC.Basis for Sale of Kuwait Crude Oil to Cities with  
Processing in Gulf's Philadelphia Refinery

1. Gulf agrees to sell to Cities, and Cities agrees to purchase from Gulf, 20,000 B/D (five per cent, more or less) of Kuwait crude oil, deliverable F. O. B. Kuwait in tankers to be supplied by Cities at approximately equal intervals during the period beginning about July 1, 1953 (when Gulf's new Philadelphia Refinery units, in which said oil will be processed, are expected to be completed) and terminating on June 30, 1963. ~~December 31, 1963~~. It is estimated that five tankers of from 28,000 to 30,000 DWT each will be required to transport this oil and Cities agrees to use its best efforts to acquire or charter these vessels by July 1, 1953, and devote them exclusively to this service. It is understood that if Cities does not so acquire or charter a sufficient number of tankers to transport 20,000 barrels of oil daily by the time Gulf's new Philadelphia Refinery units are completed, or if, at any time thereafter during the term of this agreement, Cities does not have sufficient tanker transportation available for such purpose, then, during such period ~~and without relieving Cities of its obligation to provide such transportation and lift the oil~~ Gulf shall have the right to transport the oil for Cities' account and collect from Cities therefor the "variable cost" plus the "fixed cost" specified in subparagraphs (1) and (2) of paragraph C, Article 5, hereof.

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*Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.*

2. Cities will transport and import the crude oil from Kuwait to Philadelphia and deliver it into Gulf's Philadelphia Refinery crude oil tanks.
3. Cities will not commence deliveries of Kuwait crude oil to Gulf's Philadelphia Refinery until Gulf notifies Cities in writing that Gulf is ready to start processing said oil for Cities. It is presently estimated that Gulf's new Philadelphia Refinery units will go on stream during the second quarter of 1953.
4. Gulf will process the Kuwait crude oil at its Philadelphia refinery and will deliver to Cities products, meeting Gulf's Philadelphia refinery manufacturing specifications, from each net barrel of Kuwait crude oil cleared through United States Customs by Cities, as follows:

<u>Products</u>	<u>Vol. %</u>	<u>U. S. Gals. per Bbl. of Crude</u>
Premium Gasoline	13.2	5.54
Housebrand Gasoline	31.3	13.15
Fuel Oil No. 2	22.1	9.28
No. 6 Fuel Oil	27.9	11.72
No. 6 Fuel Oil (gas equivalent)	5.5	2.31
Total products to Cities	100.0	42.00

Cities will arrange to deliver and Gulf will provide tankage to receive Kuwait crude oil in approximately equal monthly quantities. Likewise, Gulf will arrange to furnish and Cities will arrange to move the products in reasonably equal monthly quantities as they accrue.

Upon giving Gulf six months' notice in writing, Cities will have the right to exchange up to twenty-five per cent of one product for other

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*Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.*

- 3 -

products listed above. A monetary adjustment will be made for the difference in the value of the products taken by Cities as compared to those to which it would otherwise be entitled from the yields as set forth herein. Such monetary adjustment shall be made on the basis of the sum of the whole-sale Gulf coast cargo prices (Factor A) and the calculated transportation costs to Philadelphia (Factor B) as described in Article 5 hereof and shown in exhibit "A" attached. When Cities has once elected to make such <sup>purchase</sup> an exchange of products, it shall remain in effect for a period of not less than six months.

5. Cities will pay Gulf for the crude oil F.O.B. Kuwait and for the Philadelphia Refinery processing the amount per barrel determined as follows:

(A) Value on the United States Gulf Coast of the forty-two gallons of products stated above plus (B) the calculated cost of transportation by tanker from the United States Gulf Coast to Philadelphia minus the sum of (C) allowance for cost of transportation of crude oil from Kuwait to Philadelphia, (D) U.S. import duty paid by Cities on the net barrels of Kuwait oil cleared through U.S. customs, and (E) \$0.25 per barrel of Kuwait oil delivered to Gulf at Philadelphia:

The amount that Cities will pay Gulf will thus be calculated by the formula  $(A + B) - (C + D + E)$ , and the factors A,

B and C shall be determined as follows:

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*Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.*

- 4 -

- A. The value on the Gulf Coast of the products delivered to Cities each month shall be determined at the end of such month by applying to the quantity of each such product the average for the month of Platt's low quotations for "Gulf Coast Cargoes Domestic and Export, All Ports" for the respective product nearest to the grade or quality of each of such products. For example, according to such quotations, such product prices for the month of August, 1951, were those shown in Exhibit "A" attached. ~~Since these quotations are for cargo liftings of at least 20,000 barrels, it is understood that if Cities takes delivery at Philadelphia in barges, \$0.05 per barrel of product (i. e. 0.1190¢ per gallon) will be added to the value, and if Cities takes delivery in tank cars or tank trucks, \$0.10 per barrel (i. e. 0.2380¢ per gallon) will be added:~~
- B. The calculated cost of transportation by tanker from the Gulf Coast to Philadelphia of the products which Gulf agrees to deliver to Cities at Philadelphia shall be determined on the assumption that such products would be transported in a 18,000 DWT, 15 knot, steam turbine driven products tanker constructed for coastwise service in a United States yard at a cost of \$250 per DWT, that such vessel is operated with a normal crew paid at pre-

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*Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.*

- 5 -

vailing salary and wage rates, that insurance is carried on ship and cargo, that Bunker "C" fuel is procured at prevailing Gulf Coast market prices, that normal costs are incurred for food, supplies, and maintenance, that the ship is depreciated on a 20-year basis down to 2-1/2% salvage value; and that an interest cost is incurred of 3-1/2% per annum on one-half of said original investment cost. It is agreed between Cities and Gulf that until a new rate is established in the manner herein below provided, such calculated cost of transportation from the Gulf Coast to Philadelphia will be \$2.5615 per ton, which is today's cost arrived at as set forth in Exhibit "B" attached. In the event that either party notifies the other in writing that in its opinion the cost of transportation from the Gulf Coast to Philadelphia determined as specified herein is either 10% more or 10% less than \$2.5615 per ton, the two parties shall endeavor to agree on a new rate to be used based upon any changes that may have occurred in the operating expense items. If the parties are unable to agree as to whether a new rate is indicated and, if so, what rate, then each party shall designate one representative and these two representatives shall appoint a third party who shall act as chairman, and the three so selected shall determine the cost of transportation from the Gulf Coast to Philadelphia on the basis of the assumption and factors

11237.

*Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.*

- 6 -

set forth herein and the basis so determined shall be binding on both parties. It is understood that the new rate agreed upon is also subject to revision from time to time as outlined above if costs of transportation become 10% more or 10% less than the revised rate then in effect.

For calculation purposes, it is agreed that the following conversion factors will be used:

One ton equals 2,240 pounds,	
One ton equals 8.7 barrels of Premium Gasoline, of 42 U.S. gals,	
One ton equals 8.7 barrels of Housebrand Gasoline,	" " "
One ton equals 7.5 barrels of Fuel Oil No. 2,	" " "
One ton equals 6.5 barrels of No. 6 Fuel Oil,	" " "

- C. The transportation cost per barrel from Kuwait to Philadelphia shall be the "variable cost", plus the "fixed cost," as hereinbelow defined in subparagraphs 1 and 2, if the oil is transported in tankers owned by Cities or chartered from a subsidiary or affiliate of Cities, but ~~if it is transported in tankers chartered from others,~~ ~~such transportation cost shall be that specified below in~~ ~~subparagraph 1~~

1. <sup>13</sup> The variable cost per barrel shall be computed as of January 1 and July 1 during each year of the contract and shall remain in effect during the ensuing six-month period. Exhibit "C", attached, shows average variable cost for the first six months of 1951 incurred by Gulf or by its subsidiaries or

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*Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.*

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affiliates. Such variable cost shall be equal to the average of such cost incurred by Gulf or by its subsidiaries or affiliates in the operation during the preceding six-month period of all foreign flag tankers of 28,000 to 32,000 DWT engaged in the Kuwait to Philadelphia crude oil service and reduced to a per barrel basis on the basis of deliveries made after making due allowance for incomplete voyages. Gulf and Cities agree that the list of operating expenses and the amounts shown for each as set forth in Exhibit "C", attached, constitutes a fair determination of such costs as of the present time. Gulf will furnish Cities with a similar breakdown of its operating expenses as of each January 1 and July 1 based on the preceding six-month periods, and the total of such revised operating expenses on a per barrel basis shall be used for the ensuing six months.

2. The fixed cost per barrel shall be determined as follows: For each tanker constructed by or for the account of Cities or for its use there shall be added, during the first seven years following the completion of construction and the putting into service of each tanker, per barrel of Kuwait crude oil hauled from Kuwait to Philadelphia and cleared through United States Customs by Cities. Such is deemed to cover depreciation, interest, and yield

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## Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.

- 8 -

a reasonable return on the investment during each of such first seven years. When any tanker has completed seven years service under this contract, then this cost shall be reduced to an amount per barrel calculated to allow Cities a total of 7% per year on the actual total original cost of the vessel, such seven per cent being deemed to represent depreciation at 5% on the original cost and interest at 4% on 1/2 of said original investment cost.

3. In the event that Cities charters vessels for the transportation of Kuwait crude oil to Philadelphia from parties other than Cities subsidiaries or affiliates, then the amount allowed to Cities for transportation via such chartered vessels shall be (1) the actual charter cost to Cities per barrel or (2) the sum of the variable cost as defined in subparagraph 1 above plus \$4 per barrel, whichever is the less. *cy*

6. If, at any time during the existence of this agreement, the application of the formula  $(A + B) - (C + D + E)$  provided in Article 5 hereof results in a payment to Gulf of less than \$1.50 per barrel on the sum of factors A and B in said formula is less than the posted well price for 35.0° - 35.9° West Texas (sour) crude oil (now \$2.42 per barrel) plus \$0.70 per barrel, Gulf shall have the right to ~~rescind operation of this contract~~ <sup>cancel the agreement as to all future deliveries hereunder after 90 days' advance written notice to Cities, unless</sup> Cities, within 30 days of the receipt of such notice, notifies Gulf in writing that it will pay Gulf a sum sufficient to overcome the deficiency above-

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## Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.

- 9 -

mentioned.

7.

Gulf shall have the right to substitute for Kuwait crude oil, in whole or in part, any other crude oil it may have available and as to such substituted crude shall have the right to change the loading port from Kuwait to any other port upon giving Cities three months' notice in writing of its desire to make such substitution. In such event Gulf shall bill Cities for such substituted crude oil at Gulf's prevailing price at the loading port, <sup>provided, however, that the net cost to Cities and</sup> the quality and the quantity of the products delivered to Cities in Philadelphia as a result of this substitution, ~~billing provisions, etc.~~, will remain unchanged as though there had been no interruption in the delivery by Cities of Kuwait crude oil to Gulf's Philadelphia refinery. Should the crude oil substituted require additional transportation facilities or costs, Gulf shall be required to supply such additional transportation facilities and also compensate Cities for any additional transportation costs incurred by it as a result of such substitution. Contrariwise, should any savings result to Cities from the substitution Gulf shall be credited with such savings. Should the substitution result in any surplus transportation capacity on the part of Cities, Gulf would provide other cargoes for such vessels or charter same from Cities at rates not exceeding those provided for herein in Paragraph C of Article 5 hereof.

Gulf will render two billings to Cities as follows:

- (1) Gulf will bill Cities at Gulf's prevailing price per barrel F. O. B. Kuwait or substitute loading port, if applicable, for each cargo of crude oil lifted by Cities when cable advice is received by Gulf stating the vessel name,

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*Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.*

- 10 -

loading port, loading date, gravity, and net barrels loaded.

- (2) Gulf will bill Cities a second amount as soon as possible after the first of each month ~~for the balance due computed~~ pursuant to Article 5 hereof and based on the net quantity of crude oil cleared through United States Customs by Cities during the preceding month. The sum of the two billings will equal the total amount due Gulf calculated by Formula  $(A + B) - (C + D + E)$  as defined herein. All cargo losses en route to Philadelphia will be for Cities account.

9. ~~Gulf shall have the right, by notifying Cities in writing on or before June 30, 1960, to extend this agreement under the same terms and conditions herein provided for a period to be specified in said notice of not less than 3 years nor more than 5 years beyond the termination date of December 31, 1961, and, upon the exercise of such right, this agreement shall be extended for the period so specified by Gulf; unless, within 30 days of the receipt of said notice, Cities notifies Gulf in writing that Cities plans to construct its own East Coast Refinery and desires to discontinue this crude oil purchasing and processing arrangement. In such event Cities shall give Gulf the first opportunity to supply for a period of not less than three years Kuwait crude oil or any other crude oil of equal or greater refining value to Cities which Gulf may elect to furnish so long as the delivered cost thereof to Cities shall be such as to constitute at least as favorable purchase by Cities as any other crude oil which it may be able or willing to purchase. In the event of disagreement as to any factors in the delivered cost or the refining value~~
- initiate*  
X

11242


*Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.*

- 11 -

to Cities any such difference of opinion will be resolved by referring such disagreement to a committee composed of one representative of each company and a third <sup>representative</sup> ~~member~~ <sup>between these</sup> selected by these two.

## Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.

## EXHIBIT "B"



	Annual	Totals	
	<u>Gulf</u>	<u>Cities</u>	<u>Remarks</u>
Wages	217,540	236,580	
Wage Adjustment	28,105	29,200	
Subsistence	26,280	36,500	Gulf's costs seem low.
Stores, Manning, Misc.	39,055	18,615	
Repairs & Maintenance	100,375	100,000	
Insurance - Hull	51,830	69,053 )	Believe Gulf's figures are very low.
P. & I.	8,030	16,063 )	
Overhead	65,700	41,975	
Fuel	245,000	184,412 @ 1.11 per bbl.	
Port Charges	39,810	47,700	
Depreciation	219,375	219,375	
Interest	78,750	78,750	
Cargo Insurance	4,405	4,589	
Evaporation Loss	31,447	32,780	
TOTAL	1,155,702	1,115,532	
Per Ton	2.5615	2.4725	

October 2, 1951

11244

## Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.

## EXHIBIT "C-1"

	28,000 Tons D.W.		
	Actual Gulf	Estimated Cities	Remarks
Wages	.0644	.0600	
Food	.0185	.0134	
Stores, Supplies, Manning, Misc.	.0363	.0206	
Repairs	.0644	.0698	
Insurance - Hull P. & I.	.0518 ) .0173 )	.1003	We question the possibility of insuring at Gulf's figures.
Overhead	.0386	.0132	
Fuel	.2183	.2200	
Port	.0108	.0204	
Suez	.1188	.1226	
Cargo Insurance	.0081	.0079	
Evaporation Loss	.0122	.0050	
Sub-Total	.6595	.6532	

October 2, 1951

11245



## Exhibit 10, Annexed to Affidavit of George H. Hill, Jr.

## EXHIBIT "C-2"

3 American  
2 Foreign  
Bunkering  
1953

16 knot Bethlehem  
29,250 Ton American Built

Ship	7,312,500		
Cost of Ship @ \$250 DWT	1,522,500 ✓		
Barrels/year	192,812		
Salvage Value 2 1/2%	7,129,688		
Value to Depreciate	1,018,527	Per Bbl	Amt
14.29% Annual Depreciation (a)	146,250	✓ .6690	\$356,484
Interest 1/2% (b)	146,250	0961	2341
2% Return on Investment (c)	146,250	0960	
	1,311,027	Will not make this if we have loss time through accidents.	
Sum Per Barrel (a) (b) (c)	.8611	✓ .8611	
Allowance for Evaporation Loss	x 1.005		
	\$ .8654		
After Seven Years 7%	511,875		
Sum Per Barrel	.3362		
Allowance for Evaporation Loss	x 1.005		
	\$ .3379		

6690  
2341  
4349

October 2, 1951

11246

EXHIBIT 11, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

PROPOSAL FOR PURCHASE

OF

KUWAIT CRUDE FROM GULF

\*\*\*\*\*

SYNOPSIS OF CONTRACT

11247

*Exhibit 11, Annexed to Affidavit of George H. Hill, Jr.*

## MEMORANDUM

TO: Mr. B. S. Watson

November 10, 1951

## I - Synopsis of proposed contract for purchase of Kuwait crude.

1. Cities will purchase from Gulf an average of 20,000 b/d of Kuwait crude.
2. Cities will provide transportation (5 super tankers-30,000 DWT each) for this amount of crude from Kuwait to Philadelphia.
3. Gulf will process crude for Cities' account at its Philadelphia refinery and deliver to Cities products equal to average yields at the refinery.
4. Cities will pay Gulf for the crude and the processing the following:
  - (a) Platt's Gulf Coast low for the amount of products delivered, plus
  - (b) Transportation cost from Gulf Coast to Philadelphia.

From the sum of the foregoing there will be allowed Cities the following:

- (c) Operating cost for the Kuwait to Philadelphia tankers, such operating costs not to exceed Gulf's average operating costs for similar tankers.
  - (d) An amount to be agreed upon between the parties for depreciation and interest (discussions have been based on a 7 year depreciation).
  - (e) Duty paid by Cities on importation of crude.
  - (f) 25¢ per barrel.
5. Floor on payment to Gulf. If at any time payment to Gulf for crude and processing is less than \$1.50 per barrel or if Platt's low for products at Gulf Coast plus transportation to Philadelphia is less than posted well price for West Texas crude plus 70¢ per barrel, Gulf can cancel contract unless Cities makes up deficiency.
  6. Cities to have option during the contract term to purchase additional crude up to 30,000 b/d, such additional crude to be processed elsewhere and Gulf to make an additional allowance to Cities for processing.
  7. Contract will run 10 years from effective date, July 1, 1953.

11248

EXHIBIT 12, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

November 27, 1951

Mr. R. M. Bartlett, Vice President  
Gulf Oil Corporation  
Gulf Building  
Pittsburgh, Pennsylvania

Re: Proposed Kuwait Crude Purchase

Dear Bob:

As I advised you by telephone last week, we are still checking tanker costs, etc. and are not yet ready to talk in terms of a definitive crude oil purchase contract.

However, we have again revised the draft of the proposed agreement, and I thought you might be interested in looking over the revisions prior to our next talk, which I hope we can arrange for some time next week. A copy of the latest draft is enclosed.

There have been only three substantive changes -

1. Subparagraph 4 on Page 9 permits Cities to charter tankers on a temporary basis pending construction of its own tankers. This is limited to a two year period at the beginning of the contract. From our investigations it appears almost certain that we will not be able to have constructed sufficient tankers of our own to deliver the crude by the time your refining facilities are completed. Since it will be to our mutual advantage to begin the contract as soon as you are able to proceed for us, it was thought that we might make temporary charters and get the contract going by the middle of 1953.

2. Subparagraph 9 on Page 12 provides for a ten year contract with an option on the part of Gulf to stop processing for us at the end of seven years from the date of completion of construction of tankers. This provision differs somewhat from the termination provisions included in the draft of the contract which you delivered to us.

11249

*Exhibit 12, Annexed to Affidavit of George H. Hill, Jr.*

Mr. R. M. Bartlett

- 2 -

November 27, 1931

3. Subparagraph 10 on the same page provides for an option on the part of Cities to take additional crude up to 30,000 b/d, in respect to which Cities is to accept responsibility not only for transporting but for processing.

As soon as we get our ideas in more definitive form, I will telephone you and try to arrange a meeting for further discussion. In this connection it occurs to me that the main difficulty, if any, that we will have in coming to a final agreement will be on the question of the allowance for the cost of the tankers to be constructed. Our people indicate that construction costs have increased rather rapidly and may continue to do so. How would your Company react to writing in the contract that the write-off of the costs shall be on a seven year basis and shall be computed as though half the tankers were built in foreign yards and half in this country at prevailing costs per ton in each instance, such costs to be determined and agreed upon by the parties at the time construction contracts are made?

Very truly yours,

Geo. H. Hill Jr.  
Assistant to the President

Enc.

112 50



# EXHIBIT 13, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.



PETROLEUM AND ITS PRODUCTS

## GULF OIL CORPORATION

GULF BUILDING · PITTSBURGH 30, PA.

January 17, 1952

R. M. BARTLETT  
Vice President

INCLUDING SUBSIDIARY  
GULF REFINING  
COMPANY

Mr. B. S. Watson, Vice President  
Cities Service Company, Inc.  
60 Wall Street  
New York 5, New York

Subject: CITIES SERVICE COMPANY, INC.  
Proposed Basis, Processing Kuwait  
Crude - Philadelphia

Dear Mr. Watson:

Referring to the very pleasant visit Mr. Hurley and I had with Mr. Hill in his office Monday, January 7, and the visit I had with you and Mr. Hill the next day, I thought that it might accelerate our thinking if I reduced to writing the developments as I understand them in connection with working out the above processing deal. The items listed below refer to Mr. Hill's letter to me dated November 27, 1951, and his attached draft.

### 1. PROVISIONS FOR COMPUTING FIXED CHARGES FOR 7-YEAR TANKER PAYOUT.

Mr. Hill was of the opinion, based on suggestion he understood Mr. Swensrud made to Mr. Watson, that we should use in our calculations a ceiling price of \_\_\_\_\_ million dollars for the construction of five or six tankers, leaving it to Cities to build these tankers wherever they wished, i. e., United States and/or foreign. We told him that we felt such ceiling should be somewhere between \$27,500,000 and \$30,000,000 for five tankers, which we estimate can transport about 20,000 barrels per day of Kuwait crude to Philadelphia. Mr. Hill replied that he felt this figure was low, according to information given him by his Marine Department, especially as it would be necessary to have most of the tankers built in the United States in view of desired delivery in about 18 to 24 months, and it was left, as a result of our discussion the following day in your office, that we would see what the results would be if we increased the ceiling for five

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*Exhibit 13, Annexed to Affidavit of George H. Hill, Jr.*

Mr. B. S. Watson

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January 17, 1952

tankers to \$32,500,000 or \$35,000,000. I explained, however, that if we should agree to a higher cost of tankers, it might be necessary for us to ratably extend the payout period beyond seven years, in order to give us the same realization. This would of course also defer the time when our realization would be stepped up by virtue of your investment having been recovered.

It was agreed that you would endeavor to get some actual quotations and that we would ask our Marine people to give us their latest information on construction costs and delivery dates.

2. **DIFFERENTIAL IN PRICE OF PRODUCTS  
-METHOD OF DELIVERY**  
(Page 4, Paragraph A)

Mr. Hill stated the first day that he thought we should use actual costs and he is going to develop with his Sales people what he thinks these should be. I told Mr. Hill we would reconsider and perhaps have some sort of a sliding scale escalating upward in order to discourage large volume of small deliveries and avoid crowding our loading facilities.

This matter is more or less academic anyway, as Mr. Hill advised Cities will probably build a terminal to be connected by products pipe line from our Philadelphia refinery.

3. **AGREED-UPON "FIXED AMOUNT" IN  
CHARTERED VESSELS - LONG TERM**  
(Page 8, Subparagraph 3)

If long-term charters are used, Mr. Hill stated he felt that factor "C" (cost of crude transportation from Kuwait to Philadelphia in the formula) should be the same as factor "C" as determined for their purchased tankers, less interest charge. This seems reasonable to us.

4. **TRANSPORTATION ALLOWANCE TO CITIES  
-INTERIM CHARTERS**  
(Page 9, Subparagraph 4)

After considerable discussion of this subparagraph the first day, Mr. Hill stated that the maximum figure he had in mind for Cities' transportation allowance for interim charters was factor "C" of the formula as determined for vessels constructed by Cities for operation under the proposed contract. We stated we had no objection to this basis.

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January 17, 1952

**5. TERMINATION OF CONTRACT**  
**(Page 12, Clause 9)**

Mr. Hill agreed that Cities proposal should be modified to include only processing costs incurred by Gulf in manufacturing and shipping the products referred to in this agreement.

**6. PURCHASE OF ADDITIONAL**  
**CRUDE BY CITIES**  
**(Page 12, Clause 10)**

Mr. Hill agreed to the same modification as in No. 5, above.

**7. CANCELLATION CLAUSE**  
**(Page 10, Clause 6)**

You stated you wanted to investigate further with your Sales people the cancellation clause based on the posted well price for West Texas sour crude. I explained to you that this was inserted to take care of any demoralized product prices with crude prices remaining more or less stable, and you stated this provision appeared reasonable.

\* \* \* \* \*

During the discussion of options in your office, we stated we felt Gulf's and Cities' proposed options were really not in conflict with each other and you agreed to review these proposals and get in touch with me.

The major item still requiring a meeting of minds is agreement on maximum cost of tankers on a 7-year payout basis. There is also a possibility that if long-term charters at attractive rates are available, we might be willing to take some or all of them off your hands when your purchased tankers are available.

There were, of course, several minor changes which your people made in your write-up, dated November 27, 1951. Mr. Hurley and I went over these very carefully with Mr. Hill and it was agreed that these changes seemed to be minor in nature and didn't change the meaning.

While I believe that the above pretty well outlines our discussions, if there are any items which you feel have been omitted, or any

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Mr. B. S. Watson

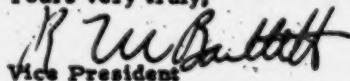
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January 17, 1952

which you think should still be raised, I would greatly appreciate hearing from you promptly, as the purpose of this letter is to hasten our negotiations. When the time comes to write definitive contract we can then incorporate usual force majeure clause, etc.

With kindest regards.

Yours very truly,

  
Vice President

RMB:mar

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# EXHIBIT 14, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.

## MEMORANDUM

February 26, 1952

### I - Synopsis of proposed contract for purchase of Kuwait crude.

1. Cities will purchase from Gulf an average of 20,000 b/d of Kuwait crude.
2. Cities will provide transportation (5 super tankers-30,000 DWT each) for this amount of crude from Kuwait to Philadelphia.
3. Gulf will process crude for Cities' account at its Philadelphia refinery and deliver to Cities products equal to average yields at the refinery.
4. Cities will pay Gulf for the crude and the processing the following:
  - (A) Platt's Gulf Coast low for the amount of products delivered, plus
  - (B) Transportation cost from Gulf Coast to Philadelphia.

From the sum of the foregoing there will be allowed Cities the following:

- (C) 1. Operating cost for the Kuwait to Philadelphia tankers, such operating costs not to exceed Gulf's average operating costs for similar tankers.
2. An amount to be agreed upon between the parties for amortization of tanker costs.
3. Interest on average unamortized amount of tanker costs at rate of 4% per annum.
- (D) Duty paid by Cities on importation of crude.
- (E) 25 ¢ per barrel.

Product costs to Cities at Philadelphia, therefore, will be based on the formula  $(A + B) - (C + D + E)$  letters being defined as above.

5. Floor on payment to Gulf. If at any time payment to Gulf for crude and processing is less than \$1.50 per barrel or if Platt's low for products at Gulf Coast plus transportation to Philadelphia is less than posted wall price for West Texas crude plus 70¢ per barrel, Gulf can cancel contract unless Cities makes up deficiency.

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*Exhibit 14, Annexed to Affidavit of George H. Hill, Jr.*

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6. Cities to have option during the contract term to purchase additional crude up to 30,000 b/d, such additional crude to be processed elsewhere and Gulf to make an additional allowance to Cities for processing.
7. Contract will run 10 years from effective date.
8. Gulf desires an additional option to continue selling us crude after expiration of contract, if we need it and they meet other offers pricewise. Language of this option has not been worked out.

II The principal discussions in connection with the proposal have revolved around the amount to be allowed for amortization of tanker costs - C 2 in the foregoing formula. Cities has taken the position that sufficient amortization should be allowed to pay out the full costs of the tankers in 7 years. Gulf is willing to allow a payout of as much as \$30,000,000 of the tanker costs in 7 years, but state that the payout period must be extended if the costs exceed \$30,000,000 inasmuch as any amortization over that amount will bring their net back price of crude at Kuwait to such a low figure they are unable to live with it. We have had numerous discussions on this point and it is my opinion that Gulf is not likely to yield very much more in this respect.

Appendix A consists of computations showing the maximum costs of tankers assuming all of them would have to be constructed on the high cost basis prevailing in the United States yards and allowing a liberal amount for escalation in costs and extra equipment.

Appendix B shows Cities Service position under the proposed formula with maximum tanker costs and assuming Gulf's allowance for amortization is limited to the amount already agreed upon by them.

III The purpose of this memorandum is to bring the discussions up to date and to present Cities picture under the contract in the most unfavorable light, i.e. assuming maximum costs for tankers, allowing liberal amounts for cost escalation, and assuming Gulf will yield no further on the amortization allowance. On this basis management should be in position to consider the desirability of granting authority to the appropriate officers to finalize the transaction. Attention is called to the following:

1. Preliminary discussions have reached the point where Cities should be able to make a firm offer.
2. Gulf is reserving 20,000 b/d refining capacity for Cities in its new refinery being constructed at Philadelphia. Unless we make further definite progress within the reasonably near future it may be difficult to maintain Gulf's commitment in this respect.

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*Exhibit 14, Annexed to Affidavit of George H. Hill, Jr.*

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3. Cities cannot make commitments for tanker construction until a definitive agreement is made with Gulf. In the meantime tanker yards are being gradually filled throughout the world making it less likely that we will be able to obtain some of the ships in foreign yards where costs are less.

IV Additional Appendices Attached.

1. Appendix C - Comparison of costs to Cities Service Oil Company (Pa.) of products to be delivered under proposed Gulf contract with costs of products being delivered by Cities Service Refining Corporation (Present prices being used in each instance).
2. Appendix D - Text of proposed agreement.

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EXHIBIT 15, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

**GULF EXPLORATION COMPANY**

GULF BUILDING - PITTSBURGH, PA.

April 23, 1952

Mr. B. S. Watson, Vice President  
Cities Service Company, Inc.  
60 Wall Street  
New York 5, New York

Dear Mr. Watson:

Referring to the discussions in your office April 2, and my phone conversation with you from Boston April 14th and from Pittsburgh April 21st, we are prepared to enter into a contract to cover sale and processing agreement for approximately 21,000 b/d of Kuwait crude at our Philadelphia Refinery, based on the following items. I believe you will find these closely follow the proposal you gave me. We have used an interest rate of 3-1/2% which I understand should be procurable, and it is possible you might even obtain a somewhat lower rate.

1. Gulf agrees to sell Cities and Cities agrees to purchase from Gulf 21,000 b/d, 5% more or less, Kuwait crude deliverable f. o. b. Mina al Ahmadi, in tankers to be supplied by Cities, during the period beginning not later than January 1, 1955, and terminating not later than December 31, 1966.
2. Cities will transport the crude from Kuwait, import the crude to the United States and Gulf will process the crude into products at Philadelphia.
3. Cities will build, purchase and/or charter sufficient vessels to transport approximately 21,000 b/d. Gulf will allow Cities regular and added depreciation plus interest at 3-1/2% on one-half of the investment to pay out five tankers of not less than 30,000 dwt capacity in 8-1/2 years, each assumed to cost \$8,200,000 plus interest of \$180,000 assumed to be incurred during the period of construction, (i.e., making a total of \$8,380,000 per vessel). On the assumption that a 30,000 dwt tanker will transport 4,217 b/d Kuwait crude from MAA to Philadelphia, and that the variable cost would be as shown below, the total cost of transportation during the payout period would work out about as follows:

*Exhibit 15, Annexed to Affidavit of George H. Hill, Jr.*

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April 23, 1952

(a) Regular and added depreciation	\$0.641 per bbl.
(b) Interest (3-1/2% on 1/2 investment)	\$0.095 " "
(c) Gulf's actual variable cost	<u>\$0.650 " "</u>

Total      \$1.386 per bbl.

After the first 8.5 years of operation of each vessel, the above total cost of transportation shall be reduced to an amount per barrel calculated to allow Cities a total of 6-3/4% per year on the \$3,380,000 assumed cost of the vessel, representing return on the investment. This works out about as follows:

(a) 6-3/4% return on investment	\$0.367 per bbl.
(b) Gulf's actual variable cost	<u>\$0.650 " "</u>

Total      \$1.017 per bbl.

4. Cities agrees to charter for its own account any tankers that may be necessary in order to be in a position to start delivering full contract quantity of 21,000 b/d by January 1, 1955, which your Mr. Story was told would be about the time required to build five 30,000 dwt tankers in U.S. yards. Deliveries may start at any time after Gulf's expansion program at Philadelphia is completed, now estimated as October, 1953. This puts the contract period on a sliding scale dependent on rate of delivery of Kuwait crude to Philadelphia. For example, based on probable delivery time of tankers, Cities might be in position to deliver 4,000 b/d crude to Philadelphia in the fourth quarter of 1953, 8,000 b/d in the first quarter of 1954, 12,000 b/d in the second quarter of 1954, 16,000 b/d in the third quarter of 1954, and 21,000 b/d in the fourth quarter of 1954, and the contract would decrease at the same rate expiring in the fourth quarter of 1966. However, should Cities desire to deliver crude oil at a faster rate, Gulf will be in position, if notified not later than July 1, 1953, to accept the full contract quantity of about 21,000 b/d, commencing with the completion of the new Philadelphia Refinery facilities. Cities shall advise Gulf not later than July 1, 1953, its anticipated schedule of Kuwait crude deliveries during the interim period beginning October 1, 1953 and ending January 1, 1955. However, Cities shall have the right to increase its deliveries any time during the interim period by giving Gulf three months' written notice. Gulf.

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*Exhibit 15, Annexed to Affidavit of George H. Hill, Jr.*

Mr. B. S. Watson

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April 23, 1952

shall have the option on the giving of three months' written notice to furnish any or all of the balance of the transportation for Cities' account up to a total of 21,000 b/d during any part of the interim period at a charter rate equal to the "cost of transportation" as provided for in the contract covering the first 8.5 years. Any crude oil delivered by Cities during the interim period as a result of transportation made available to Cities by Gulf shall be treated as an additional sale of crude and processing and shall not apply against the contract quantity.

5. Since the tanker payout allowance (Item 3 above) is based on an assumed U. S. yard cost of \$8,380,000, a proportionate cost will be used in calculating the cost of transportation from the Gulf Coast to Philadelphia (Factor B of the formula). This revision will increase the previously stated cost of \$2,5615 per ton by about \$0.10 per ton.
6. Cities has the right to cancel the processing portion of the agreement at the end of any calendar year after December 31, 1959, on giving Gulf not less than 18 months' written notice provided that Cities takes the crude to be processed in one of its refineries. If Cities exercises this right, Cities shall nevertheless continue to purchase the crude for the balance of the contract period, with the price of Kuwait crude reduced by the average costs per barrel (including plant overhead and ordinary depreciation) at Gulf's Philadelphia Refinery in the manufacture of products covered in the agreement.
7. Other Options
  - (a) Cities shall have the option, upon giving Gulf not less than six months' notice in writing, to purchase for its own use and for a period of not less than five years, up to 30,000 b/d additional crude f. o. b. Kuwait, if such crude is available for sale by Gulf, the price to be the same as under Item 6, above.
  - (b) In the event that Cities constructs its own refinery on the Eastern Seaboard, Cities shall give Gulf the first refusal to supply the crude oil requirements of this refinery for a period of not less than five years, provided that Gulf equates the price of the crude it is offering with the cost and value of other crudes available to Cities.

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*Exhibit 15, Annexed to Affidavit of George H. Hill, Jr.*

Mr. B. S. Watson

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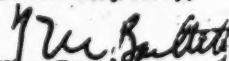
April 23, 1952

Other applicable items to be incorporated in the formal contract will be along the lines of the draft of the proposed agreement attached to Mr. Hill's letter of November 27, 1951, as modified by later discussions, with the addition of a provision to take care of a "floor" covering the price of crude if you exercise your option to cancel the processing portion of the agreement. The final agreement will also include the necessary force majeure provisions.

As explained to you, Gulf has on order several supertankers of approximately 30,000 dwt each, which are scheduled for delivery prior to January 1, 1955, and which we believe will cost considerably less than \$8,380,000 each. You stated to me that you might be interested in the purchase of any such tanker or tankers which we might offer, provided, of course, that any such deal were completed before you had reached the point of placing orders for corresponding vessels. We will be prepared to follow this matter up; and in the event we reach an agreement on the other terms, we can let you know about this in plenty of time. It is, of course, understood that in the event we did sell you any tanker or tankers on this basis, the price at which they were sold to you would be substituted in the contract for the figure of \$8,380,000 in arriving at the fixed costs of interest and depreciation for the particular tankers involved over the contract period.

On receipt of word from you that we appear to be in basic agreement, we will start the preparation of the contract.

Yours very truly,

  
Vice President

RMB:mar

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# EXHIBIT 16, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.

May 23, 1952

Mr. R. M. Bartlett, Vice President  
Gulf Oil Corporation  
Gulf Building  
Pittsburgh 30, Pennsylvania

Re: Proposed Contract  
Essex Crude

Dear Mr. Bartlett:

Your letter of April 23 has not been given as prompt attention as we would have liked principally because the efforts of most of our executives have been directed toward the disruption caused by the oil workers strike. I have, however, gone over the proposal rather carefully and have discussed some phases of it with Mr. Watson.

It seems to me that your letter is substantially in line with our latest conversations and it should furnish a basis for final discussions.

In this connection, however, since your letter accepts the principle of a definite assured cost for the tankers, I believe that we can simplify considerably the formula provided for in the tentative draft agreement forwarded with my letter of November 27, 1951. This draft provides for the formula  $(A + B) - (C + D + E)$ . It is my suggestion that we change the definitions of C and E as they appear in the draft. C would equal only the variable costs which are now defined in C-1. E would equal 99 cents per barrel. The 99 cents is arrived at by adding the fixed amortization and interest to the 25 cents per barrel represented by E in the existing definitions. A provision would be added that after 65,152,500 barrels have been delivered at Philadelphia, E shall be reduced to 62 cents per barrel for the remainder of the contract.

With these changes we can eliminate paragraphs C-2, C-3, and C-4 from the contract. In addition there would be a flexibility in the use of transportation facilities, which is not available to us under the existing provision. We might wish to charter some of the transportation for various periods, put boats in and out of this particular service, or follow some other course not now contemplated. Under the present provision and the terms of your letter, we would have to keep particular specified boats in this service for 8 1/2 years.

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*Exhibit 16, Annexed to Affidavit of George H. Hill, Jr.*

Mr. E. M. Bartlett

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May 23, 1932

The changes suggested above will not, I believe, affect your position in any way. We are obligated to move the 21,000 barrels per day, and the transportation allowance is reduced after the delivery of 65,132,500 barrels, which is equal to the number of barrels that would be transported in 5 tankers of 30,000 DWT capacity in 8½ years.

There are some other items that require additional discussion such as the suggested option provision under paragraph 7 (b) of your letter, but I am confident we will have no great difficulty in coming to an agreement on these.

May I suggest that you give some thought to the suggested changes and then let me know when it will be convenient for you to be in New York for further talks.

Kindest personal regards.

Very truly yours,

Geo. H. Hill Jr.  
Assistant to the President

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# EXHIBIT 17, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.

MEMORANDUM OF AGREEMENT BETWEEN GULF OIL CORPORATION  
(HEREINAFTER CALLED "GULF") AND CITIEX SERVICE OIL  
COMPANY (PA.) (HEREINAFTER CALLED "CITIEX") ENTERED  
INTO ON \_\_\_\_\_ DAY OF \_\_\_\_\_, 1952.

For and in consideration of the mutual covenants and promises herein contained, the parties hereto hereby agree as follows:

1. Gulf agrees to sell to Citicex, and Citicex agrees to purchase from Gulf, 21,000 b/d (five per cent, more or less) of Kuwait crude oil deliverable F.O.B. Mina al Ahmadi, in tankers to be supplied by Citicex, during the period beginning not later than January 1, 1955, and terminating not later than December 31, 1956.
2. Citicex will transport the crude from Kuwait, import the crude into the United States and deliver it into Gulf's Philadelphia refinery crude oil tanks.
3. Gulf will process the Kuwait crude oil at its Philadelphia refinery and will deliver to Citicex products, meeting Gulf's Philadelphia refinery manufacturing specifications, from each net barrel of Kuwait crude oil cleared through United States Customs by Citicex, as follows:

Products	Vol. b	U. S. Gals. per Bbl. of Crude
Premium Gasoline	13.2	5.54
Household Gasoline	31.3	13.15
Fuel Oil No. 2	22.1	9.28
No. 6 Fuel Oil	27.9	11.72
No. 6 Fuel Oil (gas equivalent)	<u>5.5</u>	<u>2.31</u>
Total products to Citicex	100.0	42.00

*Exhibit 17, Annexed to Affidavit of George H. Hill, Jr.*

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Cities will arrange to deliver and Gulf will provide tankage to receive Kuwait crude oil in approximately equal monthly quantities. Likewise, Gulf will arrange to furnish and Cities will arrange to move the products in reasonably equal monthly quantities as they accrue.

Upon giving Gulf six months' notice in writing, Cities will have the right to exchange up to twenty-five per cent of one product for other products listed above. A monetary adjustment will be made for the difference in the value of the products taken by Cities as compared to those to which it would otherwise be entitled from the yields as set forth herein. Such monetary adjustment shall be made on the basis of the sum of the wholesale Gulf Coast cargo prices (Factor A) and the calculated transportation costs to Philadelphia (Factor B) as described in Article 4 hereof and shown in Exhibit "A" attached. When Cities has once elected to make such an exchange of products, it shall remain in effect for a period of not less than six months.

4. Cities will pay Gulf for the crude oil F.O.B. Kuwait and for the Philadelphia Refinery processing the amount per barrel determined as follows:

(A) Value on the United States Gulf Coast of the forty-two gallons of products stated above plus (B) the calculated cost of transportation by tanker from the United States Gulf Coast to Philadelphia minus the sum of (C) allowance for cost of transportation of crude oil from Kuwait to Philadelphia, (D) U. S. import duty paid by Cities on the net barrels of Kuwait oil cleared

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*Exhibit 17, Annexed to Affidavit of George H. Hill, Jr.*

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through U. S. customs, and (E) \$0.99 per barrel of Kuwait crude oil delivered to Gulf at Philadelphia; provided, however that after 65,152,500 barrels, have been so delivered in tankers supplied by Cities, (E) shall be reduced to 62¢ per barrel for the remainder of the contract.

- A. The value on the Gulf Coast of the products delivered to Cities each month shall be determined at the end of such month by applying to the quantity of each such product the average for the month of Platt's low quotations for "Gulf Coast Cargoes Domestic and Export, All Ports" for the respective product nearest to the grade or quality of each of such products. For example, according to such quotations, such product prices for the month of May, 1952, were those shown in Exhibit "A" attached. It is understood that in instances in which Cities takes delivery at Philadelphia of products in lots of less than        barrels        per barrel will be added to the value.
- B. The calculated cost of transportation by tanker from the Gulf Coast to Philadelphia of the products which Gulf agrees to deliver to Cities at Philadelphia shall be determined on the assumption that such products would be transported in an 18,000 DWT, 15 knot, steam turbine driven products tanker constructed for coastwise service in a United States yard at a cost of \$279 per DWT, that such vessel is operated with a normal crew paid at prevailing

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*Exhibit 17, Annexed to Affidavit of George H. Hill, Jr.*

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salary and wage rates, that insurance is carried on ship and cargo, that Bunker "C" fuel is procured at prevailing Gulf Coast market prices, that normal costs are incurred for food, supplies, and maintenance, that the ship is depreciated on a 20-year basis down to  $2\frac{1}{2}\%$  salvage value; and that an interest cost is incurred of  $3\frac{1}{2}\%$  per annum on one-half of said original investment cost. It is agreed between Cities and Gulf that until a new rate is established in the manner herein below provided, such calculated cost of transportation from the Gulf Coast to Philadelphia will be \$2.6615 per ton, which is today's cost arrived at as set forth in Exhibit "B" attached. In the event that either party notifies the other in writing that in its opinion the cost of transportation from the Gulf Coast to Philadelphia determined as specified herein is either 10% more or 10% less than \$2.6615 per ton, the two parties shall endeavor to agree on a new rate to be used based upon any changes that may have occurred in the operating expense items. If the parties are unable to agree as to whether a new rate is indicated, or upon the amount of such new rate, then each party shall designate one representative and these two representatives shall appoint a third party who shall act as chairman, and the three so selected shall determine the cost of transportation from the Gulf Coast to Philadelphia on the basis of the assumption and factors set forth herein and the basis so determined shall be binding on both parties. It is understood that the new rate agreed upon is also subject to revision from

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## Exhibit 17, Annexed to Affidavit of George H. Hill, Jr.

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time to time as outlined above if costs of transportation become 10% more or 10% less than the revised rate then in effect.

For calculation purposes, it is agreed that the following conversion factors will be used:

One ton equals 2,240 pounds,	
One ton equals 8.7 barrels of Premium Gasoline, of 42 U.S. gals.	
One ton equals 3.7 barrels of Housebrand Gasoline,	" " "
One ton equals 7.5 barrels of Fuel Oil No. 2,	" " "
One ton equals 6.5 barrels of No. 6 Fuel Oil,	" " "

- C. The allowance for cost of transportation of crude oil from Kuwait to Philadelphia shall be equal to the average of such cost incurred by Gulf or by its subsidiaries or affiliates in the operation during the preceding six-month period of all foreign flag tankers of 28,000 to 32,000 dead weight tons engaged in the Kuwait to Philadelphia crude oil service and reduced to a per barrel basis on the basis of deliveries made after making due allowance for incomplete voyages. Such costs shall not include any amount for depreciation or amortization of tankers or interest on the investment therein. Exhibit "C", attached, shows the average cost incurred by Gulf or by its subsidiaries or affiliates for the first six-months of 1952. Gulf and Cities agree that the list of operating expenses and the amounts shown for each as set forth in Exhibit "C", attached, constitutes a fair determination of such costs as of the present time. Gulf will furnish Cities with a similar breakdown of its operating expenses as of each

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*Exhibit 17, Annexed to Affidavit of George H. Hill, Jr.*

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January 1 and July 1 based on the preceding six-months periods, and the total of such revised operating expenses on a per barrel basis shall be used for the ensuing six months.

3. Gulf shall have the right to substitute for Kuwait crude oil, in whole or in part, any other crude oil it may have available and as to such substituted crude shall have the right to change the loading port from Kuwait to any other port upon giving Cities three months' notice in writing of its desire to make such substitution. In such event Gulf may bill Cities for such substituted crude oil at Gulf's prevailing price at the loading port provided, however, that the net cost to Cities and the quality and the quantity of the products delivered to Cities in Philadelphia as a result of this substitution, will remain unchanged as though there had been no interruption in the delivery by Cities of Kuwait crude oil to Gulf's Philadelphia refinery. Should the crude oil substituted require additional transportation facilities or costs, Gulf shall be required to supply such additional transportation facilities and also compensate Cities for any additional transportation costs incurred by it as a result of such substitution. Contrariwise, should any savings result to Cities from the substitution Gulf shall be credited with such savings. Should the substitution result in any surplus transportation capacity on the part of Cities, Gulf will provide other cargoes for such vessels or charter same from Cities on a basis that will yield Cities as much return as would have been produced if the surplus transportation had remained in service under this contract.

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6. Gulf will render two billings to Cities as follows:
- (1) Gulf will bill Cities at Gulf's prevailing price per barrel F.O.B. Kuwait or substitute loading port, if applicable, for each cargo of crude oil lifted by Cities when cable advice is received by Gulf stating the vessel name, loading port, loading date, gravity, and net barrels loaded.
  - (2) Gulf will bill Cities a second amount as soon as possible after the first of each month for the balance due computed pursuant to Article 4 hereof and based on the net quantity of crude oil cleared through United States Customs by Cities during the preceding month. The sum of the two billings will equal the total amount due Gulf calculated by Formula  $(A + B) - (C + D + E)$  as defined herein. All cargo losses en route to Philadelphia will be for Cities account.
7. At the end of any calendar year after December 31, 1939, Cities shall have the right to cancel that portion of this agreement which relates to Gulf's processing the crude for the account of Cities, on giving Gulf not less than 18 months written notice provided that Cities takes the crude to be processed in one of its own refineries. If Cities exercises this right, Cities shall nevertheless continue to purchase the crude for the balance of the contract period, with the price of such crude reduced by the average costs per barrel (including plant overhead and ordinary depreciation) incurred at Gulf's Philadelphia refinery in

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*Exhibit 17, Annexed to Affidavit of George H. Hill, Jr.*

- 3 -

the manufacture of products covered in the agreement. Gulf agrees to furnish Cities with a breakdown of such costs each three months after Cities exercises its option to cancel as provided in this Article.

8. Cities shall have the option, upon giving Gulf not less than six months' notice in writing, to purchase for its own use and for a period of not less than five years, up to 30,000 b/d additional crude f.o.b. Kuwait, if such crude is available for sale by Gulf, the price to be the same as under Article 7, above.

9. In the event that Cities constructs its own refinery on the Eastern Seaboard, Cities shall give Gulf the first refusal to supply any crude oil which Cities desires to purchase in order to meet the requirements of such refinery for a period of not less than five years, provided such crude oil offered by Gulf is of the type and quality desired by Cities for the operation of such refinery and provided further that Gulf equates the price of the crude it is offering with the cost and value of other crude available to Cities.

10. Cities agrees to purchase or charter for its own account such tankers as may be necessary in order to be in position to start delivering full contract quantity of 21,000 b/d (five per cent, more or less) by January 1, 1955. Deliveries may start at any time after Gulf's expansion program at Philadelphia is completed, now estimated as October, 1953. The contract purports to cover an average of 21,000 b/d (five per cent, more or less) for a period of twelve years; thus in the event partial deliveries are made during the interim period after the completion of Gulf's refinery facilities at Philadelphia and prior to January 1, 1955, the quantities delivered at the end of the contract

## Exhibit 17, Annexed to Affidavit of George H. Hill, Jr.

- 9 -

will be decreased accordingly. Cities shall advise Gulf not later than July 1, 1953 its anticipated schedule of Kuwait crude deliveries during the interim period beginning October 1, 1953 and ending January 1, 1955. However, Cities shall have the right to increase its deliveries any time during the interim period by giving Gulf three months' written notice. Gulf shall have the option on the giving of three months' written notice to furnish for Cities' account such transportation as may be necessary to make the deliveries total 21,000 b/d during any part of the interim period at a charter rate equal to Factor C in the foregoing formula plus 74¢ per barrel.

11. If, at any time during the existence of this agreement and during the time Gulf is processing the crude oil for Cities account, the application of the formula  $(A + B) - (C + D + E)$  provided in Article 4 hereof results in a payment to Gulf in any one month of less than an average of \$(1.90) per barrel or that the average sum of Factors A and B in said formula for any one month is less than the posted well price for 35.0° - 35.9° West Texas (sour) crude oil (now \$2.42 per barrel) plus \$0.70 per barrel, Gulf shall have the right to cancel this agreement as to future deliveries hereunder after 90 days advance written notice to Cities, unless Cities, within 30 days of the receipt of such notice, offers in writing to increase the net realization to Gulf sufficiently to overcome the deficiency.

If at any time during this agreement Cities exercises its option provided for in Article 7 to cancel that portion of the agreement relating to Gulf's processing the crude for Cities account and thereafter the application of the formula  $(A + B) - (C + D + E)$  provided in Article 4 hereof results in a payment to Gulf in any one

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*Exhibit 17, Annexed to Affidavit of George H. Hill, Jr.*

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month of less than an average of \$1.00 per barrel, Gulf shall have the right to cancel this agreement as to future deliveries hereunder after 90 days' advance written notice to Cities, unless Cities, within 30 days of the receipt of such notice, offers in writing to increase the net realization to Gulf sufficiently to overcome the deficiency.

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EXHIBIT 18, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

GULF OIL CORPORATION

GULF BUILDING

PITTSBURGH 30, PA.

R. M. Bartlett  
Vice President

June 30, 1932

Mr. George H. Hill Jr.  
Assistant to the President  
Citiles Service Company, Inc.  
60 Wall Street  
New York 5, New York

Dear Mr. Hill:

We have gone over the latest draft of "Memorandum of Agreement" dated June 16, attached to your letter of the same date, and we feel that in general it gives the intent of the agreement we are trying to work out with you in connection with Citiles purchasing Kemit crude oil from Gulf and Gulf processing such crude oil at its Philadelphia refinery for Citiles' account, after the expansion program in Philadelphia is completed. While I have no doubt our respective law departments will wish to make changes in language for purposes of clarification, etc., before the final agreement is ready for execution by our respective companies, nevertheless we feel your draft, subject to the necessary clarifications mentioned below, covers the important points resolved after various discussions.

In addition to the force majeure clause which you point out has been omitted, other appropriate items will have to be included in the final contract, such as details of vessel nominations, usual shipping notices, loading rate, gauging, billing, terms of payment, customary assignment clause, a clause to the effect that the contract is subject to the prior rights of governments and that the laws of the Commonwealth of Pennsylvania will govern the contract, etc.

Also, while paragraph 6 (2) provides that "all cargo losses en route to Philadelphia" will be for Citiles' account, we feel this clause should be amplified in the final agreement so as to cover our receiving payment for usual evaporation losses in transit as well as other cargo losses on the basis of Gulf's current spot cargo price f.o.b. Mina al Akhadi on date vessel loaded. This may require some incidental rewording of other related provisions.

*Exhibit 18, Annexed to Affidavit of George H. Hill, Jr.*

Mr. George H. Hill Jr.

- 2 -

June 30, 1952

We also feel that Factor "E" in Paragraph 4 requires clarification and should be written so as to cover two periods ("E-1" and "E-2"), in order to take care of deliveries that are made prior to January 1, 1955, as outlined in Paragraph 10. It seems to us that this can be covered readily by stating that Factor "E-1" (93.6¢ per barrel) will be in effect from the date the first delivery is made until the total quantity of 65,152,500 barrels has been completed, with, however, June 30, 1963 as a deadline, this being the end of the 8-1/2-year period of the contract. Factor "E-2" (61.7¢ per barrel) will automatically become applicable July 1, 1963, unless prior to that date the total quantity of 65,152,500 barrels has been delivered in which event "E-2" would apply to the balance of 26,827,500 barrels due to be delivered by Cities over the remaining 3-1/2 years of the contract. Under the above provision, Factor "E-2" might therefore become effective prior to July 1, 1963.

In view of the quantity we also feel that various calculations should be carried to four decimal points, as we have done in the Exhibits.

Undoubtedly there may be some other conditions that your people will want to add, and in this connection, we suggest that probably there should be some definite provision governing fire losses while the crude oil or products are in our custody.

Pursuant to your request, I am attaching revised Exhibits "A," "B" and "C," giving the latest figures available, which will be used in writing the contract.

Vacations are creeping up on us. I would greatly appreciate hearing from you as soon as possible so that we can prepare formal contract.

With kindest regards.

Yours very truly,

/s/ R. M. Bartlett

Vice President

RHD:rar  
Attach.

11275



# EXHIBIT 19, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.

## MEMORANDUM

July 3, 1932

### I - Synopsis of proposed contract for purchase of Kuwait crude.

1. Cities will purchase from Gulf an average of 21,000 b/d (five per cent, more or less) of Kuwait crude.
2. Cities will provide transportation for this amount of crude from Kuwait to Philadelphia.
3. Gulf will process crude for Cities' account at its Philadelphia refinery and deliver to Cities products equal to average yields at Gulf's refinery. Upon six months notice Cities has right to substitute up to 25% of one product for another upon making monetary adjustment.
4. Cities will pay Gulf for the crude and processing on the formula  $(A + B) - (C + D + E)$ , wherein the factors are equal to the following:
  - A equals Platt's Gulf Coast low for the amount of products delivered.
  - B equals transportation cost from Gulf Coast to Philadelphia.
  - C equals operating costs (exclusive of depreciation and interest) of Kuwait to Philadelphia tankers, such operating costs not to exceed Gulf's average operating costs for tankers in similar service.
  - D equals duty paid by Cities on importation of crude.
  - E equals 98.6¢ per barrel until 65,152,500 barrels have been delivered (approximately 8-1/2 years); thereafter for an additional 3-1/2 years E equals 61.7¢ per barrel. Factor E includes the following: 25¢ per barrel discount plus .6405 per barrel depreciation allowance plus .0953 interest allowance. Interest is figured at 3 1/2% per annum on one-half of principal and the depreciation is sufficient to return \$41,920,000 in 8-1/2 years.
5. After five years Cities has the right to cancel the processing portion of the agreement and construct its own refinery in which event the amount paid to Gulf will be reduced by the cost of processing crude at Gulf's Philadelphia refinery.

*Exhibit 19, Annexed to Affidavit of George H. Hill, Jr.*

- 2 -

6. Floor on payment to Gulf. If at any time payment to Gulf for crude and processing is less than \$1.50 per barrel or if Platt's low for products at Gulf Coast plus transportation to Philadelphia is less than posted well price for West Texas crude plus 70¢ per barrel, Gulf can cancel contract unless Cities makes up deficiency. If Cities builds its own refinery after five years the floor on the payment to Gulf becomes \$1.00 per barrel.
7. Cities is to have an option during the contract term to purchase additional crude up to 37,000 barrels a day, such additional crude to be processed by Cities. For any of the option crude Gulf will make an allowance to Cities for processing equal to Gulf's cost of processing at its Philadelphia refinery.
8. Contract will run twelve years from January 1, 1955, or earlier if Cities begins taking full amount of crude prior to January 1, 1955.

## II - Comments.

1. An interesting and perhaps important feature of the proposed contract is that the price to be paid to Gulf for the crude is tied to the price of products in this country and not to our crude price. Thus any dislocation of structure caused by increase in price of crude here without comparable increase in products prices would not affect us under the contract.
2. Transportation Department estimates can move this amount of crude with four tankers of 37,500 D/T capacity to be built in the United States at a cost of \$9,019,000 each or a total investment of \$36,076,000. Under the agreement Gulf allows us to recover through accelerated depreciation \$41,920,000.
3. Attached figures show comparisons between Gulf contract and the purchase of products on the Gulf Coast at today's price plus transportation to Philadelphia.

11277

EXHIBIT 20, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

July 8, 1952

MEMORANDUM

TO: Mr. W. Alton Jones

RE: Proposed Contract with Gulf Oil for  
Long-Term Supply of Middle East Crude.

For a number of months we have negotiated with Messrs. Sverdrup and Bartlett of the Gulf Oil Company for a supply of from 20,000 to 50,000 barrels per day of Kuwait crude, with a provision for processing such crude at Gulf's Philadelphia refinery.

A brief summary of the essential features of the deal follows:

1. Term of the contract to be for a period of 12 years.
2. Cities to provide transportation and be the importer of the crude.
3. Gulf to process crude for Cities account at its Philadelphia refinery and deliver to Cities products equal to the average refinery yields. Cities to have the right after 5 years to provide its own refinery facilities. The contract then to be adjusted accordingly.
4. Price to be paid for crude oil at Kuwait to be determined as follows:
  - a. Products delivered to Cities to be priced out at Platt's low at Gulf Coast, plus cost of transportation from Gulf to Philadelphia. Cities to receive a discount of 25% per barrel from the foregoing total delivered price, to serve as a guaranteed marketing profit.
  - b. From the above total, the following deductions are made:
    - (1) Import duties, whatever the amount.
    - (2) Transportation cost, exclusive of depreciation and interest, to be actual cost, but not to exceed Gulf's cost for similar Persian Gulf to Philadelphia service.
    - (3) A depreciation allowance, which after long negotiations has been set at a flat figure of \$.6405 per barrel for the first 8 1/2 years of this contract. This amount is estimated to amortize

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*Exhibit 20, Annexed to Affidavit of George H. Hill, Jr.*

- 2 -

the cost of four 37,500 DWT tankers costing \$36,076,000, in 7.5 years.

In addition to operating expenses and depreciation, an allowance is also made for interest at 3½%.

- c. The above formula determines the price that Gulf will receive for crude at Kuwait. We estimate under present conditions that they would get approximately \$1.35 per barrel for this crude. Gulf has insisted upon a floor which is equivalent to from 95¢ to \$1.00 per barrel, which from our standpoint would seem to be safe in view of the going price of Middle East crude of around \$1.75 per barrel and also the present price for West Texas crude.

Under present conditions we estimate that our total cash production from this operation during the first 8½ years would be at the rate of \$6,866,000 per year, which would be equivalent to a 5.3 years payout on the cost of the tankers. During the last 3½ years of the contract, the cash production would be under present conditions \$4,000,000 per year.

All of the foregoing is based upon 20,000 to 21,000 barrels per day. If we exercise the option for the additional 30,000 barrels daily of crude oil, cash production would be increased proportionately.

11279

EXHIBIT 21, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

July 8, 1952

Mr. B. S. Watson:

The Operating Committee, in conjunction with Messrs. Christian, Kelley and Hill, have today reviewed in detail the "Memorandum of Agreement Between Gulf Oil Corporation and Cities Service Oil Company" covering the purchase and processing of Kuwait crude (Draft 6-16-52).

It is the unanimous opinion of this group that in general the proposed agreement is economically sound and to the best interests of the Cities Service organization.

Various relatively minor recommendations were made to improve the contract terms and such recommendations will be the subject of negotiations with the Gulf representatives.

\_\_\_\_\_  
A. F. France

\_\_\_\_\_  
E. G. Christian

\_\_\_\_\_  
W. W. Love

\_\_\_\_\_  
G. L. Mateer

\_\_\_\_\_  
J. E. Hoston

\_\_\_\_\_  
J. A. Kelley

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EXHIBIT 22, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

## MEMORANDUM

TO: Mr. B. S. Watson  
RE: Gulf Contract

July 23, 1952

Yesterday I had a long talk with Bob Bartlett on the Gulf contract and it appears that we are pretty much together on the various provisions, with the exception of the storage problem. He is having a very difficult time finding a means to assist us in this respect. Our people advise that we want to load out practically 100% in tank cars and tank trucks and his facilities are not sufficient, so he says, to take care of our load together with his own. He says he would have to put in as much as three million dollars in new equipment and would want us to pay for it.

I explained to him that we felt the real answer was to have our own terminal with a pipeline connection. He has been unable to dig up any land for this purpose. At his suggestion I am asking George Wateer and probably Joe Kelley to arrange to talk with Bonner Barnes about the problem. Bonner is the big boy insofar as that refinery is concerned and I get the impression from Bob Bartlett that probably Bonner could help more than he has seen fit to promise if he tried.

The Gulf people do not want to sign a memorandum agreement but prefer the final contract. They are now rewriting the various provisions that have been agreed upon in the form of a final contract and this should not delay the deal unduly. We should get something from them the latter part of next week.

I'm sure I'll be back before the matter comes to a head.

GHH

11281

# EXHIBIT 23, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.



PETROLEUM AND ITS PRODUCTS

## GULF OIL CORPORATION

GULF BUILDING : PITTSBURGH 30, PA.

R. M. Bartlett  
Vice President

August 12, 1952

INCLUDING SUBSIDIARY  
GULF REFINING  
COMPANY

Mr. Geo. H. Hill, Jr.  
Assistant to the President  
Cities Service Company, Inc.  
60 Wall Street  
New York 5, New York

Dear Mr. Hill:

I am enclosing four copies of draft of agreement covering sale of Kuwait crude oil and processing at our Philadelphia refinery which have been under discussion for some time. As you have advised me that your Marine people are very anxious to get started on the purchasing of tankers involved, this draft has been rather hurriedly run through departmental rollers and still may need a little smoothing out and polishing. In the main, however, I believe it reflects our respective views, and I have no doubt but what your people will also have some suggestions to make.

You will recall that there were a few items, such as storage at Philadelphia during the interim period if we supply tankers, maximum quantity of products to be taken by various methods at our terminal, terminaling charges, etc., which were still unsettled at our last meeting. After considerable checking here with our people, we have incorporated our ideas of what we are prepared to do pending erection of your own Philadelphia terminal, which I understand is a definite part of your program. We have given considerable thought to these matters and believe the positions taken are reasonable. You will also notice that several other items have been included which have not been brought up before but which are necessary in the formal agreement.

Revised Exhibits "A," "B" and "C" will be forwarded to you in the next few days.

The agreement has been written in the name of Cities Service Company, which we presume is satisfactory to you.

I shall be glad to discuss this draft with you at your convenience in New York or, if you think time would be saved by you or any of your associates coming to Pittsburgh, I shall be very happy to arrange for a meeting here.

With kindest regards.

Sincerely yours,

Vice President

RMB:red

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# EXHIBIT 24 ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.



PETROLEUM AND ITS PRODUCTS

## GULF OIL CORPORATION

17 BATTERY PLACE - NEW YORK 4, N. Y.

DIVISION SALES  
OFFICE

E. WALDO EMERSON  
DIVISION GENERAL MANAGER

SUCCESSOR TO  
GULF REFINING  
COMPANY

October 2, 1952

Mr. George H. Hill, Assistant to the President  
Cities Service Company, Inc.  
60 Wall Street  
New York, N. Y. (5)

Dear Mr. Hill:

I am attaching three copies of draft dated September 26th, in which we have incorporated revised write-up of several items as well as a few new ones which have been discussed with you and your associates.

You will recall my telling you during our discussion in your office September 26th that while we were agreeable to a loading rate of 7,500 barrels per hour for crude oil, I thought we could induce our Marine Department to accept the "berth or no berth" provision that Mr. Story was so insistent about provided the discharge rate for crude oil at Philadelphia was shown as 5,000 barrels per hour, the loading and discharge time used to be accumulated over a year's period. Mr. Story's memorandum attached to your letter to me dated September 26th refers to discussion of these points during a recent meeting he and Mr. Maddocks had with our Marine people in our New York Office which Mr. Hurley and I also attended. According to my recollection, however, these matters were subject to further check with our Refinery people at Philadelphia to determine if they were acceptable. I am sure Mr. Story will recall our mentioning among other things that we were handicapped by customs restrictions preventing our unloading two tankers into one line. Grave doubts were also expressed about our ability to get necessary permit to lay another crude line across the City's airport property. All things considered, Mr. Jones still feels we should have the discharge rate at 5,000 barrels per hour, but is willing to yield to Mr. Story's point about commencement of demurrage time. This seems to me to be a reasonable compromise, and I hope you will agree.

Our Refinery people also tell us that while they will do the best possible, the loading rate for all products except Kerosene shall be 4,000 barrels per hour at our Philadelphia Refinery (Page 18, Item 18(b)).

The above explains why certain applicable items in the attached draft do not tie in completely with Mr. Story's memorandum to you dated September 26th. You will also note we have limited the size of tankers for loading crude oil to not less than T-2 size, which we believe you will agree is reasonable.

In order to save time, I have not waited to obtain from our Operating and Refining Departments daily maximum loading quantities of various products that can be delivered into tank cars and tank trucks for your account at our Philadelphia Refinery in existing facilities. We hope to have these available very shortly for final discussion with you.

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Exhibit 24, Annexed to Affidavit of George H. Hill, Jr.



PETROLEUM AND ITS PRODUCTS

**GULF OIL CORPORATION**

17 BATTERY PLACE · NEW YORK 4, N. Y.

DIVISION SALES  
OFFICE  
E. WALDO EMERSON  
DIVISION GENERAL MANAGER

SUCCESSOR TO  
GULF REFINING  
COMPANY

- 2 -

October 2, 1952

Mr. George H. Hill, Assistant to the President  
Cities Service Company, Inc.

I believe you will find the attached draft is in line with our recent talks,  
and I will be glad to have your comments as soon as possible.

Yours very truly,

R. M. Bartlett  
Vice President

RMB:lrs

11284

EXHIBIT 25, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.



PETROLEUM AND ITS PRODUCTS

**GULF OIL CORPORATION**

GULF BUILDING · PITTSBURGH 30, PA.

October 7, 1952

R. M. BARTLEY  
VICE PRESIDENT

INCLUDING SUBSIDIARY  
GULF REFINING  
COMPANY

Mr. Geo. H. Hill, Jr.  
Assistant to the President  
Cities Service Company, Inc.  
Sixty Wall Street  
New York 5, New York

Dear Mr. Hill:

Supplementing my letter of October 2nd, I am enclosing herewith rewrites of Item 17 covering daily maximum loading quantities of various products that can be delivered in tank cars and tank wagons for your account at our Philadelphia refinery in existing facilities. Will you kindly substitute these sheets for the ones in the draft dated September 26th which I delivered to you Friday, October 3rd.

I expect to be in New York tomorrow and will contact you.

Yours very truly,

*R. M. Bartley*  
Vice President

RMB:red  
Attachment

*Revised sent to Mr. Hill 11/1/52.*

11285



# EXHIBIT 26, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.

October 17, 1952

Mr. R. M. Bartlett, Vice President  
Gulf Oil Corporation  
Gulf Building  
Pittsburgh, Pennsylvania

Dear Mr. Bartlett:

Reference is made to your letter of October 2 with which you enclosed copies of draft dated September 26, 1952 of the proposed crude oil purchase contract covering Kuwait crude oil.

The following comments refer to this draft:

1. Article 2

Cities has not received copies of the documents referred to in the last sentence. It is assumed that these will be furnished us shortly in order that we may study their provisions in relation to their effect upon the contract.

2. Article 11

The last sentence in the second paragraph of this Article should include kerosene unless that product is covered by "distillate fuels".

3. Article 12

In the 6th line of the definition of Factor A add the words "from crude delivered during the previous month" immediately following the word "delivered" and prior to the words "to Cities".

In the 8th line of the definition of Factor B eliminate the parenthetical expression "(including war risk insurance)" and substitute in lieu thereof "(including war risk insurance if carried by Gulf on its domestic coastwise tankers)". The question is also raised as to whether war risk insurance on cargo is proper in this provision since it is eliminated in Factor C.

In Factor B, beginning on the 13th line, provision is made for an allowance for evaporation losses of .4 of 1% of Factor A. Our experience on evaporation losses for the past 3 1/2 years has been

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*Exhibit 26, Annexed to Affidavit of George H. Hill, Jr.*

Mr. R. M. Bartlett

- 2 -

October 17, 1952

as follows: gasoline - .4 of 1%; kerosene - .1 of 1%; #2 fuel oil - .18 of 1%; #6 fuel oil - 0. The weighted average of these losses based on the percentages listed in Article 11 on Page 7 would be .21 of 1%. This figure should therefore be substituted for the .4 of 1% included in the present draft.

In the last sentence of the definition of Factor D on Page 13 add the words "such amount" immediately following the word "dividing".

In the definition of Factor E on Page 13 the amount of Factor E is automatically reduced on October 1, 1963. This is not satisfactory to Cities. It is felt that no specific date is necessary since the provision automatically takes effect when 65,152,500 barrels have been delivered. Any date used should not be earlier than April 1, 1964.

**4. Article 17**

This Article still provides for a charge of 5¢ per barrel for loading into tank cars, truck transports or tank wagons and 2¢ per barrel for loading into barges. These amounts are not agreeable to Cities. Gulf should be reimbursed only for the extra expense of loading into this type of transportation facilities over and above the expense which Gulf incurs in loading into tankers. Our operating people are convinced, based upon their own experience, that Gulf's extra out-of-pocket expenses will not amount to anything like the charges provided. The present draft provides for the loading of limited quantities only into these transportation facilities and it is understood that these are the amounts you can load without the installation of additional equipment. The charges suggested for loading these limited amounts into transport trucks or tank wagons would total \$22,500 per month. We think it is obvious that this amount is far in excess of the expense Gulf would incur in extra manpower and other expenses incident to loading these quantities for Cities, from Gulf's existing facilities. A suggestion has been made that Cities' top operating man in this field get together with whoever you designate to try to come to some agreement on this.

**5. Article 21**

In the definition of Factor G on Page 21, insert a comma after the word "taxes" in the 9th line, strike the word "and" immediately following and add the words "and depreciation on a normal basis" after the word "facilities" in the 10th line.

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*Exhibit 26, Annexed to Affidavit of George H. Hill, Jr.*

Mr. R. M. Bartlett

- 3 -

October 17, 1952

**6. Article 26**

The last sentence in this Article as well as the last sentence in Article 27 have the effect of requiring Cities to pay additional taxes or assessments levied by the Shaikh of Kuwait or alternatively giving Gulf the right to suspend the operation of the agreement. In our opinion this is not an equitable provision. If Gulf's Kuwait crude is to be competitive with crude-produced elsewhere, Gulf must assume taxes and other charges of this nature.

**7. Article 23**

This Article should be eliminated from the contract in its entirety. It is difficult to conceive of any charges, taxes or fees imposed in this country that would not eventually be reflected in the market prices of products. However, we know of no way to determine whether or not indirect taxes of various kinds are or are not reflected in the market price of products. In any event there can be no question that the prices which Cities is paying to Gulf under the contract are based on market prices in this country, and that is the basic principle of the contract.

**8. Article 32**

Insert the following words at the beginning of this Article: "Except as provided in the last paragraph of this Article 32".

9. Cities marketing division needs some #3 oil in this area and we understand you blend it up at Girard Point. Would it be satisfactory to you to include in the contract a provision for blending from 500,000 to 1,000,000 barrels a year of #3 out of the #6 and #2 which the contract provides for.

10. There is attached hereto memorandum from our Marine Department relating to changes which should be made in various provisions of the draft relating to marine operations.

Very truly yours,

Geo. H. Hill Jr.  
Assistant to the President

Enc.

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EXHIBIT 26A, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

GRAND BASSA TANKERS, INC.

80 Broad Street  
MONROVIA, LIBERIA

November 13, 1952

Counterpart 2 of 2 Counterparts

Newport News Shipbuilding  
and Dry Dock Company  
Newport News, Virginia

Attention: W. E. Blewett, Jr., Executive Vice President  
Gentlemen:

Grand Bassa Tankers, Inc., a Liberian Corporation, accepts the bid contained in your letter to us dated October 15, 1952, and authorizes and requests you to construct for it, for Liberian registry, four (4) 38,000 ton, single screw, bulk oil tankers on the terms and conditions set forth in this letter.

The vessels shall be constructed in accordance with specifications entitled "Detail Specifications for the Construction of a Steel Single Screw Vessel for Carrying Bulk Oil for Grand Bassa Tankers, Inc.", dated September, 1952, and Newport News Plans Nos. 194533; 194534; 194535; 199552; 199553; and 199580.

The price of each vessel shall be eight million one hundred fifty thousand dollars (\$8,150,000.), herein referred to as the basic purchase price, subject to escalation, using April 1952 as the base month for labor and material prices.

*Exhibit 26A, Annexed to Affidavit of George H. Hill, Jr.*

-2-

This order and your acceptance thereof is subject to our joint execution of a mutually satisfactory detailed construction contract and to the prior approval, on or before November 30, 1952, by the U. S. Maritime Administration of the construction of the vessels for Liberian registry. We understand that if such approval shall have been obtained on or before such date the first vessel will be delivered to us on or before June 15, 1954, the second vessel on or before August 15, 1954, the third vessel on or before October 15, 1954, and the fourth vessel on or before December 15, 1954.

We are anxious to execute a detailed construction contract as soon as possible and are prepared to meet with you at your convenience to discuss the provisions thereof. We understand that such contract will provide for the payment by us of two per cent (2%) of the basic purchase price of the four vessels upon the execution of the contract or shortly thereafter.

If you agree to the foregoing, please sign the form of acceptance on the enclosed counterpart of this letter. Please then return such counterpart to us.

Very truly yours,

Grand Basin Tankers, Inc.

By *W. K. Foster*  
President

The foregoing is hereby accepted  
as of the date thereof

Newport News Shipbuilding  
and Dry Dock Company

By *W. C. Lawrence*  
Executive Vice President

11290



# EXHIBIT 27, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.

## MEMORANDUM

RE: Summary of Proposed Gulf Contract

December 16, 1952

1. Covers purchase of 21,000 barrels a day of Kuwait crude, with an option to buy an additional 30,000 barrels a day.
2. Term of contract 12 years.
3. Although contract is in form of a crude purchase contract, actually it is a purchase of products at Gulf's Philadelphia refinery.
4. Price of products equals Gulf Coast current prices plus transportation to Philadelphia less 25 cents per barrel.
5. Cities will be importer and will supply transportation for the 21,000 barrels per day of Kuwait crude necessary to make the products.
6. Cities will be allowed costs of transportation, including operating costs, interest and depreciation on tankers at normal rate. In addition Cities is allowed further amortisation sufficient to pay out in full tanker costs in 8½ years.
7. Gulf has a kick-out provision allowing them to suspend the contract if:
  - (a) Value of products on Gulf Coast plus transportation falls below the price of West Texas crude plus 70 cents per barrel. (Present value of products on Gulf Coast plus transportation is approximately \$3.80 per barrel. Present price of West Texas crude plus 70 cents per barrel is \$3.12.)
  - (b) The net payment to Gulf for crude plus processing falls below \$1.50 per barrel. However, if they should suspend based on this provision, they must continue to sell us crude as cheaply as they sell to anyone else.
8. At the end of 5 years we can cancel the processing portion of the contract if we so desire and build our own refinery.
9. Our people estimate that, assuming present day prices for products and a 12-year depreciation on new refining facilities constructed by Cities on the East Coast, Cities would have to obtain Middle East crude at \$0.769 per barrel to equal the margin reflected in the Gulf contract. If product prices drop to 1949 level, Cities would have to obtain Middle East crude at \$0.352 per barrel to maintain such margin.

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10. Gulf contract in effect requires Gulf to absorb any differential resulting from increases in foreign tanker operating costs as compared with domestic tanker operating costs. This would be a substantial advantage if union activity ultimately requires payment of union scale on foreign tankers. The same thing is true of increases in import duties and like charges.

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EXHIBIT 28, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

AGREEMENT  
between  
GULF EXPLORATION COMPANY  
GULF OIL CORPORATION  
and  
CITIES SERVICE OIL COMPANY (PA.)  
dated  
January 26,, 1953

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*Exhibit 28, Annexed to Affidavit of George H. Hill, Jr.*AGREEMENT

This Agreement, dated the 26th day of January, 1955, by and between Gulf Exploration Company, a Delaware corporation (herein called "Gulfex"); Gulf Oil Corporation, a Pennsylvania corporation (herein called "Gulf"); and Cities Service Oil Company (Pa.), a Pennsylvania corporation (herein called "Cities"), witnesseth;

That for and in consideration of the mutual covenants and promises herein contained, the parties hereto agree as follows:

1. Beginning on January 1, 1955, or prior thereto pursuant to Article 25 hereof, Gulfex shall sell and deliver to Cities and Cities shall buy and receive from Gulfex at a loading port or ports in Kuwait, quantities of Kuwait crude oil sufficient to enable Cities to deliver into the United States of America a total of 92,043,000 net barrels of 42 U.S. gallons of such crude oil. (As used herein "barrel", "net barrel", or "net quantity" means the quantity corrected to 60° F., in accordance with United States Department of Commerce, W.B.S., Circular C-410, issued March 4, 1936, or later revisions thereof, and after deduction of water and sediment determined by A.S.T.M. Method D-96). Cities shall, not later than January 1, 1955 and continuing throughout the life of this Agreement, furnish sufficient ocean tankers of not less than 12,000 DWT capacity to receive the Kuwait crude oil in bulk in approximately equal annual and monthly quantities equivalent to approximately 21,000 net barrels per calendar day; and shall transport the crude oil from Kuwait, import it into the United States, pay the import duties as well as any other taxes, customs overtime unloading, and brokers' fees related to imports which may be due thereon, and except as provided in Article 21 hereof, shall deliver said crude oil into Gulf's Philadelphia, Pennsylvania, crude oil storage tanks at the expense of the tanker but at the risk and peril of the tanker only so far as the tanker's permanent hose connections. As used herein "Gulf's Philadelphia, Pennsylvania, crude oil storage tanks" means crude oil storage tanks in the Philadelphia area connected to Gulf's Philadelphia refinery by pipeline.

2. The Kuwait crude oil to be purchased by Cities hereunder shall be delivered by Gulfex out of oil being produced from a concession in Kuwait by Kuwait Oil Company Limited, or its successors in interest, as agent for Gulf Kuwait Company (a Delaware corporation and a wholly-owned subsidiary of Gulfex) and D'Arcy Kuwait Company under the terms of that certain concession contract dated December 23, 1934, by the Shaikh of Kuwait in favor of Kuwait Oil Company Limited (which has since changed its name to D'Arcy Kuwait Company Limited), as amended December 30, 1951, which company assigned an undivided one-half interest to Gulf Kuwait Company on November 30, 1951. It is specifically understood and agreed that Gulfex' obligations

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under this Agreement are subject to the continued existence of said concession contract, as amended, throughout the period of this Agreement and are also subject to the terms and conditions of that certain agreement dated December 11, 1952, between Her Majesty's Government in the United Kingdom of Great Britain and Northern Ireland and Gulf Kuwait Company. Cities acknowledges that it has received a copy of the above-mentioned documents and is familiar with the terms of same.

3. Cities shall pay to Gulfex in U.S. currency for each net barrel of Kuwait crude oil of 31.0-31.9° gravity A.P.I. purchased hereunder a basic price of \$1.40 per barrel and that price shall increase or decrease 2¢ per barrel for each degree or fractional degree increase or decrease in A.P.I. gravity above or below that range. The basic price of \$1.40 per barrel shall remain in effect so long as the price quoted in the publication National Petroleum News for Arabian crude of 36.0-36.9° gravity A.P.I. at Ras Tanura, Saudi Arabia, is \$1.75 per barrel and shall increase or decrease above or below \$1.40 per barrel by the same amount as the price quoted in National Petroleum News for Arabian crude oil of 36.0-36.9° gravity A.P.I. at Ras Tanura, Saudi Arabia, increases or decreases above or below \$1.75 per barrel. If, during the period of this Agreement, the publication of National Petroleum News is discontinued, or if publication therein of a price quotation for Arabian crude at Ras Tanura, Saudi Arabia, is discontinued, or if either party is of the opinion that the price for Kuwait crude oil as determined above does not reflect the commercial value of such crude oil in that it does not bear a fair relationship to other world-wide crude oil prices, said party may, by giving written notice to the other party, require the method of determining the basic price for Kuwait crude oil hereunder to be reviewed. Within seven days after receipt of such notice the parties shall consult together with a view to selecting some other source of regularly published prices or with a view to agreeing upon the principles to be adopted in arriving at a revised basic price. If within 30 days from the date that the foregoing notice was given the parties are unable to agree, the question shall be referred to arbitration under Article 29 of this Agreement. During any period of consultation or arbitration the basic price to be used shall be that in effect immediately prior to the time the notice was given by one party to the other, but the invoices for which such price is used shall be tentative and shall be adjusted when agreement is reached or when a determination is made by arbitration so that such basic price as finally determined shall be retroactive to the date the notice was given.

Gulfex shall invoice Cities and Cities shall pay such invoices without discount within 10 days of receipt thereof, for each cargo of Kuwait crude oil lifted by Cities when telegraphic advice is received by Gulfex stating the tanker's name, loading

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port, loading date, gravity of crude oil, and net barrels loaded, based on shore tank gauges.

4. Cities shall furnish a two-month schedule of estimated arrivals at the loading port, with current revisions, and shall, not less than 20 days before the expected date of arrival of each tanker at the loading port, notify in writing Mr. R. M. Bartlett, Post Office Box 1166, Pittsburgh 30, Pennsylvania, United States of America, (or such other person at such address or such other address in the United States of America as Gulf and Gulfex may from time to time by notice in writing to Cities substitute for the purposes of this Article) the name of the tanker, the approximate quantity of the crude oil to be lifted by the tanker, and the expected date of its arrival at the loading port, and at Philadelphia, together with full instructions regarding such tanker, and the making up of the Bills of Lading and other necessary documents. Cities shall arrange for its tankers to report their expected hour of arrival to Gulfex' agent at Kuwait 72 hours before arrival. At least 48 hours prior to the arrival at Philadelphia of any tanker carrying the Kuwait crude oil sold under this Agreement, Cities shall notify Gulf's Marine Department agent at Gulf's refinery at Girard Point, Philadelphia, Pennsylvania, of the expected time of arrival of such tanker.

5. Gulfex shall cause to be provided at the loading port or ports, tanker berths, pipe lines, shore tanks, and loading hoses and such other loading facilities sufficient to deliver the crude oil on board tankers to the tanker's permanent hose connection. No tanker furnished by Cities shall be required to load a particular cargo at more than one loading port. Gulfex' agent shall have the right to shift the tanker from one berth to another berth at the loading port. If such shifting is done to benefit the loading terminal, the resulting expense shall be for account of Gulfex, and the time consumed shall be counted as actual time required for loading in computing demurrage. If it is necessary to shift the tanker off the berth because of breakdown of machinery or other deficiency of the tanker, the resulting expense shall be for the tanker's account and the time consumed shall not be counted as actual time required for loading in computing demurrage and the tanker shall lose her regular turn at the berth. The title to the crude oil delivered into each tanker shall pass to Cities upon delivery at the tanker's permanent hose connection and Gulfex' risk and peril for the crude oil shall cease at that point; provided, however, that any loss or damage to the crude oil during loading caused through fault of the tanker shall be for Cities' account. Tankers nominated by Cities shall comply with the applicable port regulations and Cities shall be responsible for all port charges.

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6. When the tanker has arrived at the loading port and is ready to load, a notice of readiness shall be tendered by the captain or Cities' agent to Gulfex' agent by mail, telegraph, wireless or telephone.
7. Subject only to priority of arrival of other tankers awaiting loading at the loading port, Gulfex shall, before the expiration of a period of six hours after the giving in respect of any tanker of the notice of readiness to load under Article 6 of this Agreement, provide such berth at the loading port for the loading of the crude oil as to permit ocean-going tankers having a maximum loaded draft not exceeding 38 feet to lie safely and always afloat with the necessary access thereto, and commence the loading of the crude oil on such tankers; provided that, if by reason of such prior arrival as aforesaid, such berth cannot be provided or the loading cannot be commenced before the expiration of the said period, such berth shall be provided and the loading shall be commenced as soon as possible. If, after notice of readiness, any tanker is unable, through no fault of the terminal, to start loading at the designated time, she shall await the loading of the tanker or tankers taking her place.
8. The allowed time for loading each tanker provided by Cities hereunder shall be such time as is necessary, weather permitting, to load the tanker a full and complete cargo at the rate of 7,500 barrels per hour, unless the tanker is less than 28,000 DWT capacity in which case the allowed time for loading shall be 36 hours except as provided in Article 16 hereof. The loading of a tanker shall be continuous and Cities agrees to cause all tankers supplied by it to receive the crude oil at the fastest rate permitted by the tanker's equipment. If the loading of a tanker is not completed within her allowed time, Gulfex shall pay for the excess of the actual time required for loading over the allowed time by way of demurrage as provided in Article 16 hereof. Determination of the actual time required for loading shall commence either at the expiration of six hours after tender of notice of tanker's readiness to load, or immediately upon tanker's arrival in berth (i.e., finished mooring when at a sea-loading terminal and all fast when tanker is to be loaded alongside a wharf) whichever first occurs; but if the tanker's condition or facilities do not permit loading, the time so lost shall not be counted as actual time required for loading, nor shall time required for discharge of ballast be so counted. Likewise, if any governmental authority or port regulations prohibit loading on the Sabbath or any holiday or any other time, time so lost shall not be counted as actual time required for loading. If shifting of the tanker is done as provided in Article 5 hereof, the time consumed shall be included or excluded as provided therein.

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9. The quantity and quality of crude oil delivered to Cities' tankers from shore tanks shall be determined by, or on behalf of, Gulfex in the manner customary at the loading port at the time of loading. Cities' representative will be allowed every facility available for participating in the determination of quantities and qualities. If Cities' representative shall fail to participate in the determination of the quantity and quality of the cargo by the time the captain declares his readiness to load, Gulfex shall proceed with the loading of the tanker, and the quantity and quality as ascertained and certified by Gulfex' representative shall be accepted by Cities as the Bill of Lading and invoice quantity and quality.

10. Gulfex shall supply bunkers for tankers nominated by Cities at the loading berth at the market price on date of loading. In the event a shift is necessary to another berth for the purpose of loading bunkers the time of shifting and the time required to take aboard the bunkers shall count as used loading time.

11. Cities shall arrange to deliver the Kuwait crude oil, or such other crude oil as provided in Article 20, in approximately equal monthly quantities into Gulf's Philadelphia, Pennsylvania, crude oil storage tanks at the expense of the tanker but at the risk and peril of the tanker only so far as the tanker's permanent hose connections, and Gulf shall provide tankage to receive such crude oil. Gulf shall process the Kuwait crude oil and shall deliver to Cities products, meeting Gulf's Philadelphia refinery manufacturing specifications at the time of delivery for Gulf branded products of the highest quality, from each net barrel of Kuwait crude oil, as follows:

<u>Products</u>	<u>Volume Percent</u>	<u>Quantity U.S. Gals. per Net Bbl. of Crude Oil</u>
Premium Gasoline	13.2	5.54
Regular Gasoline	31.3	13.15
Kerosene	5.0	2.10
No. 2 Fuel Oil	17.1	7.18
No. 6 Fuel Oil	<u>33.4</u>	<u>14.03</u>
Total products to Cities	100.0	42.00

If requested by Cities, Gulf shall add to the products to be delivered to Cities additional T.E.L. or other additives, provided such T.E.L. or other additives are furnished by Cities and provided further that Cities shall reimburse Gulf for any additional expenses incurred by Gulf in complying with Cities' request, including the capital and

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operating costs of any additional facilities which may be necessary. Gulf shall have a reasonable time to comply with any such request by Cities. Cities agrees to move the products from Gulf's tanks at such times and in such quantities as not to require Gulf at any time to hold for Cities' account more than 20 days' production of gasolines, 30 days' production of kerosene, No. 2 fuel oil and No. 6 fuel oil, due Cities from the processing of the crude oil delivered by Cities.

Upon giving Gulf six months' notice in writing, Cities shall have the right, effective on the first day of a calendar month, to increase or decrease the quantity of each of the products listed in the above table by not more than 25%, but no single change in the quantity of a product, as compared with the quantity of that product in effect during the immediately preceding period, shall exceed 25% of the quantity of that product shown in said table. The total quantity of products to be taken from each net barrel of crude oil can in no event be more or less than 42 U.S. gallons nor can the quantity of any product ever be more or less than the maximum and minimum quantities shown below:

<u>Product</u>	<u>Minimum Quantity U.S. Gallons Per Net Barrel of Crude Oil</u>	<u>Maximum Quantity U.S. Gallons Per Net Barrel of Crude Oil</u>
Premium Gasoline	4.15	6.92
Regular Gasoline	9.86	16.44
Kerosene	1.58	2.62
No. 2 Fuel Oil	5.39	8.98
No. 6 Fuel Oil	10.52	17.54

When Cities has once elected to make a change in the volume of products which it requires, such change shall remain in effect for a period of not less than six months.

12. Cities shall pay Gulf, without discount and within 10 days of presentation of Gulf's invoice, for the processing hereunder an amount determined by multiplying the number of net barrels of crude oil delivered during the preceding calendar month into Gulf's Philadelphia, Pennsylvania, crude oil storage tanks, as determined from Custom House receipt, by an amount per barrel found by the formula  $(A + B)$  minus  $(C + D + E + F)$ . The factors in the formula are defined as follows:

Factor "A" is the value on the United States Gulf Coast of the 42 gallons of products which Gulf has agreed to deliver to Cities from each net barrel of crude oil delivered by Cities into Gulf's Philadelphia crude oil storage tanks in the preceding month. Such value shall be determined at the end of each month by

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applying to the quantity of each such product delivered or to be delivered to Cities from crude oil delivered during the previous month the daily average for the month of Platt's Oilgram low quotations for Gulf Coast Cargoes Domestic, All Ports, for the respective products. (As an example, such product prices for the month of May 1952 were those shown in Exhibit "A" attached. However, if a quotation does not appear for the gasoline of the octane number being delivered, then the price for such gasoline shall be found by interpolation between the price quoted for the next higher and next lower octane numbers or by interpolation and extrapolation if there is not a higher octane number quoted. For example if 93 octane number gasoline is being delivered and prices for 92 and 94 octane numbers are being quoted the price to be used shall be the mean of the 92 and 94 octane prices. If, however, 94 octane is not quoted but 90 and 92 octanes are quoted, then one-half of the difference between the 90 and 92 octane prices shall be added to the 92 octane price to determine the price for 93 octane.) If, during the period of this Agreement, the publication of Platt's Oilgram is discontinued, or if publication therein of price quotations for any of the products to be received by Cities under this Agreement does not appear (except as provided above) or is discontinued, or if either party is of the opinion that the prices therein published do not or have ceased to reflect the commercial value of any particular product or products in that they do not bear a fair relationship to commercial prices for comparable products, said party may, by giving written notice to the other party, require the method of valuing products for the time being in force under this Article to be reviewed either generally or as respects any particular product or products. Within seven days after receipt of such notice the parties shall consult together with a view to selecting some other source of regularly published prices or with a view to agreeing upon the principles to be adopted in arriving at the commercial value of the product or products in question which do, in the opinion of both parties, provide an indication of the commercial value of the product or products in question. If within 30 days from the date that the foregoing notice was given the parties are unable to agree, the question shall be referred to arbitration under Article 29 of this Agreement. During any period of consultation or arbitration the values to be used for the purpose of determining Factor "A" shall be those in effect immediately prior to the time the notice was given by one party to the other, but the invoices for which such values are used shall be tentative and shall be adjusted when agreement is reached or when a determination is made by arbitration so that such price as finally determined shall be retroactive to the date the notice was given.

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Factor "B" is the calculated cost of transportation by tanker from the Gulf Coast to Philadelphia of the 42 gallons of products which Gulf has agreed to deliver to Cities at Philadelphia from each net barrel of crude oil. This cost shall be determined on the assumption that such products would be transported in an 18,000 DWT, 15 knot, steam turbine-driven products tanker constructed for coastwise service in a United States' yard at a cost of \$279 per DWT; that such tanker is operated with a normal crew paid at prevailing salary and wage rates; that insurance (including war risk insurance if carried by Gulf on its domestic coastwise tankers) is carried on tanker, crew and cargo; that Bunker "C" Fuel is procured at the low of prevailing Gulf Coast market prices as quoted in Platt's Oilgram for ships' bunkers; that normal costs are incurred for food, supplies, and maintenance; that the tanker is depreciated on a 20-year basis down to 2%; salvage value; that an interest cost is incurred of 3% per annum on one-half of said original investment cost; and that handling and evaporation losses of three-tenths of one per cent of the sum of Factors "A" and "B" are included in such costs. Exhibit "A" shows the application of Factor "B" in arriving at product values at Philadelphia and Exhibit "B", attached, shows the May 1952 calculated costs to which Gulf and Cities have agreed as Factor "B". On or before the date of commencement of deliveries under this Agreement, Gulf and Cities shall revise Factor "B" to give effect to conditions prevailing at that time and such revised costs shall be the original effective rate and shall remain in effect until changed as hereinafter provided. If the parties are unable to agree on the original effective rate, the same procedure shall be used as is set out in this Article for the determination of a new rate. If at any time and from time to time either party is of the opinion that the cost of transportation from the Gulf Coast to Philadelphia, determined as specified herein, is either 10% more or 10% less than the then effective rate it may notify the other party in writing. Within seven days after receipt of such notice the parties shall consult together in an effort to agree on a new rate to be used based upon any changes that may have occurred in the operating expense items. If within 30 days after the foregoing notice has been given, the parties are unable to agree as to whether a new rate is indicated, or upon the amount of such new rate, then the entire matter shall be referred to arbitration under Article 29 of this Agreement. In arriving at their decision the arbitrators shall use the same assumptions and principles set forth in this Article. During any period of consultation or arbitration the rate in effect immediately prior to the time the notice was given by one party to the other shall be used but the invoices

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for which such rates are used shall be tentative and shall be adjusted when a new rate is agreed or determined by arbitration so that such new rate shall be retroactive to the date the notice was given. For calculation purposes, it is agreed that the following conversion factors shall be used:

- One ton equals 2,240 pounds.
- One ton equals 8.7 bbls. of Premium Gasoline, of 42 U.S. gals.
- One ton equals 8.7 bbls. of Regular Gasoline, of 42 U.S. gals.
- One ton equals 7.9 bbls. of Kerosene, of 42 U.S. gals.
- One ton equals 7.5 bbls. of No.2 Fuel Oil, of 42 U.S. gals.
- One ton equals 6.5 bbls. of No.6 Fuel Oil, of 42 U.S. gals.

Factor "C" is an allowance per barrel for cost of transportation of Kuwait crude oil from the loading port in Kuwait to Philadelphia, exclusive of depreciation, amortization and interest on investment on the tankers involved in such transportation. This allowance shall be equal to the average of the costs incurred (except that one-way bunkers shall be lifted at Philadelphia and the Persian Gulf and valued for this purpose at the going prices) during the 12-month period prescribed in this Article, by Gulf and by its subsidiaries and affiliates on tankers which are owned by those companies and which are engaged in transporting crude oil from Kuwait to Philadelphia, whether for those companies or for others to whom the tankers are chartered. It shall include only the costs of tankers operating under a foreign flag and which are of 28,000 to 33,000 DWT. Such costs shall not include any amount of depreciation or amortization of the tankers nor shall it include any interest on the investment therein. Such costs shall include the cost of normal losses representing the difference between the net quantity loaded at Kuwait and the net quantity delivered at Philadelphia on all cargoes which reach Philadelphia and such difference shall be valued for this purpose at the average price used in Factor "F" hereof, as defined in this Article, for the month in which the particular cargo involved was delivered at Philadelphia. War risk insurance on the tankers and crews, if carried by Gulf, shall be included in these costs. The allowance for the purpose of Factor "C" shall be reduced to a per barrel basis on the basis of net barrels which such tankers could have delivered to Philadelphia within the calendar year. Exhibit "C", attached, shows the average cost incurred by Gulf, its subsidiaries and affiliates, for the 12-month period covering the last six months of 1951 and the first six months of 1952. Gulf shall furnish Cities, within 60 days after January 1 and July 1 of each year, with a

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similar breakdown of its costs as of each January 1 and July 1 based on the preceding 12 months' experience and the total of such revised costs on a per barrel basis shall be used as Factor "C" for the ensuing six months beginning with March 1 and September 1, respectively.

Factor "D" is the U.S. import duty and/or other taxes, customs overtime unloading, and brokers' fees related to imports payable by Cities on the net quantity of crude oil delivered under this Agreement into crude oil storage tanks in the United States during the preceding month. This amount shall be reduced to a per barrel basis by dividing such amount by the net barrels so delivered in the preceding month.

Factor "E" is an amount of \$3.9883 per net barrel of crude oil delivered by Cities under this Agreement into crude oil storage tanks in the United States during the preceding month; provided, however, that this amount shall be reduced to \$3.6187 per barrel on April 1, 1964 or when a total of 65,194,500 net barrels of crude oil have been delivered by tankers supplied by Cities hereunder, into Gulf's Philadelphia crude oil storage tanks and into the crude oil storage tanks of a refinery substituted by Cities if the option in Article 21 is exercised, whichever first occurs. Provided, however, that if by reason of force majeure (as defined in Article 31) or by reason of suspension of this Agreement under Articles 26, 27 or 28 hereof Cities is prevented from delivering 65,194,500 net barrels of crude oil by April 1, 1964 as aforesaid, then said date of April 1, 1964 shall be postponed one day for each 21,000 barrels the delivery of which has been so prevented by force majeure and/or by such suspension; or that if, in accordance with Article 25 hereof, deliveries of crude oil by Cities to Gulf at its Philadelphia refinery are made in tankers supplied by Cities (but not in those supplied by Gulf) during the interim period prior to January 1, 1955, then the above-mentioned date of April 1, 1964 shall be changed to one day prior to that date for each 21,000 net barrels of crude oil delivered by Cities in tankers which Cities supplies during the interim period prior to January 1, 1955.

Factor "F" is the weighted average price per barrel paid by Cities to Gulfex under Article 3 hereof for the particular cargoes of crude oil delivered by Cities in that month to Gulf or to a refinery substituted by Cities if the option in Article 21 is exercised.

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13. When the tanker has arrived at the discharge port of Philadelphia and is ready to discharge, notice of readiness shall be tendered by the captain or Cities' agent to Gulf's Marine Department agent at Gulf's refinery at Girard Point, Philadelphia, by letter, telegraph, wireless or telephone, such notice not to be given until after the tanker has been cleared by Customs. Subject to the priority of arrival of other tankers awaiting discharge at the discharge port, Gulf will either provide a berth in the Delaware River, Philadelphia area, where there will be 35 feet depth of water at average mean low water or will provide any necessary lighterage from the recognized anchorages on the Delaware River if such 35 feet depth of water at average mean low water is not available. Any such necessary lighterage shall be at the expense, risk and peril of Gulf. If, by reason of such prior arrival as aforesaid, such berth cannot be provided or the discharge cannot be commenced, then such berth will be provided and the discharge shall be commenced as soon as possible. If, after notice of readiness, any tanker is unable, through no fault of the terminal, to start discharge at the designated time, she shall await the discharge of the tanker or tankers taking her place. The tankers nominated by Cities shall comply with the applicable port regulations and Cities shall be responsible for all port charges. The tanker shall have free wharfage or dockage.

14. Where, by reason of ships' purposes or deficiencies, a tanker is unable to discharge oil for 24 consecutive hours at the rate of 7,500 barrels an hour, Cities shall immediately move such tanker off her berth prior to completion of discharge. If Cities shall fail to move such tanker, then Gulf shall have the right to do so and such time lost shall not be counted as actual time required for discharge in computing demurrage. In such event Gulf shall immediately advise Cities and if requested to do so by Cities shall use all reasonable endeavors to complete the discharge of the tanker if this can be accomplished with reasonable expedition. Any additional expenses incurred by Gulf as a result thereof shall be borne by Cities.

15. The allowed time for unloading each tanker provided by Cities hereunder shall be such time as is necessary, weather permitting, to unload the tanker at the rate of 7,500 barrels per hour against a maximum back pressure of 100 pounds per square inch (and Gulf represents that it will provide facilities to receive the crude oil at that rate under such conditions), unless the tanker is less than 28,000 DWT capacity in which case the allowed time for unloading shall be 36 hours except as provided in Article 16 hereof. The unloading of a tanker shall be continuous and Cities agrees to cause all tankers supplied by it to unload crude oil at the fastest rate permitted by its equipment. If the unloading of a tanker is

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not completed within her allowed time, Gulf shall pay for the excess of the actual time required for unloading over the allowed time by way of demurrage as provided in Article 15 hereof. Determination of the actual time required for unloading shall commence either at the expiration of six hours after tender of notice of tanker's readiness to unload, or immediately upon tanker's arrival in berth (i.e., finished mooring alongside a wharf) whichever first occurs; but if the tanker's condition or facilities do not permit unloading, the time so lost shall not be counted as actual time required for unloading. Likewise, if any governmental authority or port regulations prohibit unloading on the Sabbath or any holiday or any other time, time so lost shall not be counted as actual time required for unloading. If shifting of the tanker is done as provided in Article 14 hereof, the time consumed shall be excluded.

16. For the purpose of calculating the amount of demurrage, if any, incurred in loading and discharging crude oil, to be paid to Cities hereunder by Gulfex and Gulf the actual time required for loading and discharge under Articles 8 and 15 hereof shall be added together and the allowed time for loading and discharge under the same Articles shall also be added together for each calendar year of this Agreement, except that tankers of less than 15,000 DWT capacity shall not be included in such calculations and any demurrage thereon shall be paid as hereinafter provided in this Article. If during any calendar year the actual time required for loading and discharge exceeds the allowed time, then Gulfex and Gulf shall share equally and pay to Cities for such excess hours an amount found by multiplying such excess hours at a rate per hour found by converting the rate allowed in the sum of Factors "C" and "G" of Article 12 hereof for that year minus 25¢ per barrel into a rate per hour appropriate to the weighted average size of the tankers in excess of 14,999 DWT capacity supplied by Cities in that year. Gulf shall calculate such appropriate rate and shall notify Cities thereof as soon as practicable after the end of each calendar year. If within 30 days of such notice by Gulf the parties have been unable to agree as to the rate and the amount of demurrage due to Cities, if any, then the matter shall be referred to arbitration under Article 29 of this Agreement. For the purpose of calculating demurrage on tankers of 12,000 to 14,999 DWT capacity the allowed time for loading and discharge shall be 168 hours, and if the actual time required for loading and discharge of such tankers exceeds 168 hours demurrage shall be paid at the rate included in the charter party covering the particular voyage but not exceeding 360 per hour.

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17. On or before the first day of each month, Cities shall give Gulf notice in writing (Att: Director of Supply, P. O. Box 1166, Pittsburgh 30, Pennsylvania) of the daily quantities and the manner of delivery of each product desired by Cities to be made available hereunder in the succeeding month. The products due Cities by Gulf hereunder shall be delivered at Cities' option by the following methods, or any combination thereof, subject to the conditions outlined below:

(a) On board tankers furnished by Cities at Gulf's Philadelphia refinery and/or into a pipeline provided by Cities to connect Gulf's Philadelphia refinery with terminal facilities owned or leased by Cities in the Philadelphia harbor area, at no additional charge to Cities; or

(b) On board barges or self-propelled vessels of less than 30,000-barrel capacity furnished by Cities at Gulf's Philadelphia refinery at an additional charge of 2¢ per barrel to Cities; or

(c) Into tank cars, truck transports, or tank wagons furnished by Cities at Gulf's Philadelphia refinery or at Gulf's bulk plant adjacent to said refinery at an additional charge of 4¢ per barrel to Cities; provided, however that:

(i) Up to December 31, 1959, Gulf shall not be required to make deliveries into transport trucks or tank wagons at delivery rates in excess of those set out in the table below and thereafter the quantities, if any, and the delivery charges therefor shall be agreed to by Gulf and Cities:

Maximum Daily Quantities  
(24 hours per day loading)

Premium Gasoline	2,000 Barrels
Housebrand Gasoline	3,000 Barrels
Kerosene	500 Barrels
No. 2 Fuel Oil	4,500 Barrels
No. 6 Fuel Oil	5,000 Barrels

(ii) Gulf shall not be required to make deliveries into tank cars placed at Gulf's loading rack for Cities' account in excess of the quantities specified below:

Maximum Number Tank Cars  
Per 8-Hour Day  
5 Days Per Week

Premium Housebrand Gasoline	10
Kerosene	5
No. 2 Fuel Oil	None
No. 6 Fuel Oil	None

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If, however, Cities guarantees in writing a minimum loading requirement of 16 tank cars per day of No. 2 Fuel Oil and/or No. 6 Fuel Oil for a period of not less than two consecutive months, Gulf agrees to man the loading rack for an additional eight-hour shift per day five days per week at the same charge.

The foregoing charges of 4¢ and 2¢ per barrel, respectively, are based on the estimated costs to Gulf of performing this service. Cities and Gulf recognize that changing conditions may cause variations in these costs. For that reason such charges for each month shall be determined by multiplying each of the rates by the ratio of the latest final "Commodity Index" at the date of execution of this Agreement (which it is agreed is 112.8) to the final "Commodity Index" published in the month preceding the month for which the charge is being determined. The "Commodity Index" shall be the latest final number of "All Commodities Other than Farm Products and Foods" as released by the United States Department of Labor, Bureau of Labor Statistics. The charges will be invoiced separately each month based on quantities so delivered in the prior month.

18. In the event of delivery of products on board tankers:

(a) Cities shall notify Gulf at least 14 days prior to the expected date of arrival at Philadelphia the name of the tanker and the approximate quantity of each product to be loaded, and shall currently advise Gulf of any changes therein. Cities shall notify Gulf's Marine Department agent at Gulf's refinery at Girard Point, Philadelphia, Pennsylvania, the expected time of arrival 48 hours in advance thereof, and Gulf shall provide a berth at Girard Point suitable for the loading of a T-2 or similar draft tanker.

(b) The provisions of Articles 5, 6, 7, and 8 except as otherwise provided herein shall apply with the substitution of the word "Gulf" for "Gulfex" and the word "products" for "crude oil", and except that the loading rate of 7,500 barrels per hour shall be 5,000 barrels per hour for all products except kerosene, for which a rate of 1,000 barrels per hour shall apply.

(c) For the purpose of calculating the amount of demurrage, if any, to be paid to Cities by Gulf under this Article, the excess of the actual time required for loading over the allowed time, if any, shall be determined for each calendar year of this Agreement. If during any calendar year the actual time required

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for loading exceeds the allowed time, then Gulf shall pay Cities for such excess hours an amount found by multiplying such excess hours at a rate per hour found by converting the rate allowed in Factor "B" of Article 12 hereof for that year into a rate per hour appropriate to the weighted average size of the tankers supplied by Cities in that year. Gulf shall calculate such appropriate rate and shall notify Cities thereof as soon as practicable after the end of each calendar year. If within 30 days of such notice by Gulf the parties have been unable to agree as to the rate and the amount of demurrage due to Cities, if any, then the matter shall be referred to arbitration under Article 29 of this Agreement.

19. The quantity and quality of petroleum products delivered hereunder to Cities shall be determined in the manner customary at Gulf's Philadelphia refinery at the time of loading. Cities' representative shall be allowed every facility available for taking measurements and temperatures and for participating in the making of tests for quality. If Cities' representative fails to participate at the time of delivery, then the quantity and quality as determined by Gulf shall be accepted by Cities as final.

20. Gulfex shall have the right to substitute for Kuwait crude oil, in whole or in part, any other crude oil it may have available and as to such substituted crude shall have the right to change the loading port from Kuwait to any other port upon giving Cities three months' notice in writing of its desire to make such substitution. In such event, Gulfex shall invoice Cities for such substituted crude oil at Gulfex' prevailing price at the loading port and that price shall be substituted in Article 3 hereof during the period the substitution continues. During such period of substitution the quantity of the products delivered to Cities in Philadelphia by Gulf shall remain unchanged as though there had been no interruption in the delivery by Cities of Kuwait crude oil to Gulf's Philadelphia refinery. Should the crude oil substituted require additional transportation facilities or costs, Gulfex shall be required to supply such additional transportation facilities and also compensate Cities for any additional transportation costs incurred by it as a result of such substitution. Contrariwise, should any savings result to Cities from the substitution Gulfex shall be credited with such savings. Should the substitution result in any surplus transportation capacity on the part of Cities, Gulfex shall provide other cargoes for such tankers and charter same from Cities on a basis that will yield Cities the same return as would have been produced if the surplus transportation had remained in service under this Agreement.

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21. Cities shall have the right to cancel, as of the end of any calendar year beginning with the calendar year 1959, that portion of this Agreement which relates to Gulf's processing the crude oil for the account of Cities, by giving Gulf not less than 18 months' advance written notice provided that Cities takes the crude oil to be processed in a refinery in the United States which Cities owns or in which its equity interest is such that its percentage of ownership when applied to the total refinery crude oil processing capacity equals or exceeds 21,000 barrels per calendar day. If Cities exercises this right, Cities shall nevertheless continue to purchase the Kuwait crude oil (or such other crude oil as Gulfex has substituted in accordance with Article 20 hereof, provided that, if Gulfex has substituted another crude oil, the price of such substituted crude oil shall at that time be equated with Kuwait crude oil and such equated value shall be used for the purpose of Article 3 hereof during the period the substitution continues) for the balance of the contract period. If necessary to equate a substituted crude oil with Kuwait crude oil for the purpose of this Article, it shall be done by taking into account the comparative values of the products which can be manufactured from the crudes involved in the same equipment available to Cities as well as the comparative manufacturing costs involved. If, within 30 days after the date on which it becomes necessary to equate the substituted crude oil with Kuwait crude oil, the parties have been unable to agree on the equated value, then the question shall be referred to arbitration under Article 29 of this Agreement. In arriving at their decision the arbitrators shall use the same assumptions and principles set forth in this Article. During any period of negotiation between the parties, or arbitration, the substituted crude shall be tentatively invoiced at the price in effect for Kuwait crude but the price shall be adjusted retroactively for the entire period when the equated price is determined by negotiation or arbitration.

In consideration of the right given to Cities to cancel the processing portion of this Agreement, Cities agrees that if such right is exercised it shall thereafter settle with Gulf monthly on the basis of applying to the net quantity of crude oil delivered into the crude oil storage tanks of the refinery which Cities has substituted for Gulf's Philadelphia refinery, the formula set out in Article 12 hereof, except that Factor "G" (as defined below) shall be added to the formula as an additional item to be deducted from the sum of Factors "A" and "B".

Factor "G" shall be Gulf's Philadelphia refinery average book cost per barrel (plus interest as provided for below) of processing Kuwait crude oil, for the calendar year at the end of which Cities exercises the foregoing option, in the new facilities comprising Gulf's Philadelphia refinery.

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1953 expansion program, and used in the manufacture of the products delivered to Cities hereunder. These new facilities comprise a topping and vacuum, catalytic reforming, catalytic cracking, catalytic polymerisation, and gasoline sweetening units and their utility and service auxiliaries. The costs shall include allocation of overhead and indirect expenses based on Gulf's usual practices in this respect as well as ad valorem taxes, interest at 3½% on one-half the original investment costs of these new facilities and depreciation on a normal basis. As soon as practicable after Cities has exercised the foregoing option Gulf shall advise Cities of the amount and details of calculation of Factor "G". If Cities questions such amount and the parties are unable to agree as to the correctness within 30 days, then the question shall be referred to arbitration under Article 29 of this Agreement. During any period of consultation or arbitration the amount to be used for Factor "G" shall be that notified to Cities by Gulf, but the invoice for which such amount is used shall be tentative and shall be adjusted when agreement is reached or when a determination is made by arbitration so that such amount as finally determined shall be retroactive to the effective date.

Factor "G", as determined above, shall remain in effect during the first calendar year during which Cities' option is in effect. Redetermination of Factor "G" shall be made at the end of that year and at the end of each year thereafter based on Gulf's costs as defined above during such year, and the redetermined cost shall be effective for the succeeding calendar year.

22. Cities shall have the right, exercisable not later than June 30, 1960, upon giving Gulfex not less than 18 months' notice in writing, to purchase during the remaining period of the Agreement for its own use and for a period of not less than five years, up to 30,000 additional net barrels per calendar day of crude oil f.o.b. Kuwait. The price per barrel for each cargo of such additional crude oil shall be determined by the use of the formula  $(A + B) \text{ minus } (C + D + E + G)$ , as defined in this Agreement, and for this purpose the factors in the formula shall be those effective during the calendar month immediately preceding that in which the particular cargo was loaded in Kuwait. If Cities has not exercised its option under Article 21, Factor "G" shall be determined for the purpose of this Article as if such option had been exercised.

23. The crude oil sold by Gulfex to Cities under Articles 21 and 22 hereof for processing in a refinery which Cities owns or in which it has an interest shall be not less than the average gravity and shall have not more than the average sulphur content of all Kuwait crude oil being produced at that

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time from the Kuwait Concession. The pricing arrangements under this Agreement have been based on Kuwait crude oil having an average gravity throughout the year of between 30.50 A.P.I. and 32.50 A.P.I. and an average sulphur content of between 2.25% and 2.75% by weight. If the annual weighted average gravity or sulphur content of any crude oil sold to Cities by Gulfex under Articles 21 and 22 hereof, is higher or lower than the limits set out above, adjustment of the price shall be agreed between the parties not later than 60 days after the end of the year. Failing agreement on the amount of the adjustment, the price shall be determined by arbitration as provided in Article 29.

24. In the event that Cities constructs its own refinery on the Eastern Seaboard, Cities shall give Gulfex the first refusal to supply for a period of not less than five years from the beginning of operations of such refinery, any crude oil which Cities may have to purchase to meet the requirements of such refinery; provided that such crude oil offered by Gulfex is of the type and quality readily usable in that refinery, and provided further that Gulfex equates the price of the crude oil it is offering with the cost and value of other crude oil available to Cities.

25. Cities agrees to purchase or charter for its own account such tankers of not less than 12,000 DWT capacity as may be necessary to start delivering by January 1, 1955 and to continue to deliver at all times thereafter during the life of this Agreement the full contract quantity of 21,000 net barrels per calendar day of Kuwait crude oil. Deliveries may start at any time after Gulf's expansion program at Philadelphia is completed, now estimated as December, 1953. Cities shall notify Gulfex and Gulf in writing not later than April 1, 1953 its anticipated schedule of Kuwait crude oil loadings and deliveries during the interim period beginning after the completion of Gulf's Philadelphia refinery expansion program and ending January 1, 1955. Gulf shall have the option to furnish for Cities' account such transportation or any part thereof as may be necessary to make possible deliveries up to 21,000 net barrels per calendar day during any part of the interim period at a charter rate equal to Factor "C" in the formula in Article 12 plus \$.7383 per net barrel. Within 30 days after Cities advises Gulf of its anticipated schedule as above provided, Gulf shall notify Cities in writing of the amount of transportation, if any, it desires to furnish during such interim period and the estimated schedule of deliveries from such transportation. Cities shall be obligated to accept any transportation offered by Gulf in accordance with the foregoing. In the event Gulf elects to furnish transportation, thereby making more products for Cities' account during the interim period

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than would otherwise be available, Gulf shall furnish storage for such products for a reasonable period of operation; provided, however, that Gulf shall not be required to supply such additional storage for a period longer than 60 days after the end of the interim period.

26. (1) For the purpose of this Article only, the term "total net payment" shall mean either:

(a) the sum of Factors "A" and "B" in the formula in Article 12 for any month less (i) the cost per net barrel of crude oil attributable to future increases in the rates of existing income or other taxes or assessments imposed by the Kuwait Government, and (ii) the cost per net barrel of crude oil attributable to new taxes or assessments which may be imposed in the future by the Kuwait Government; or

(b) the amount per net barrel of crude oil which Cities would be required to pay in accordance with the provisions of Articles 3 and 12 hereof to Gulfex and Gulf for Kuwait crude oil to be purchased and processed under this Agreement, less (i) the cost per net barrel of crude oil attributable to future increases in the rates of existing income or other taxes or assessments imposed by the Kuwait Government, and (ii) the cost per net barrel of crude oil attributable to new taxes or assessments which may be imposed in the future by the Kuwait Government.

(2) If, at any time and from time to time when Gulf is processing Kuwait crude oil for Cities' account under the terms of this Agreement:

(a) the total net payment computed as set forth in paragraph (1) (a) above is less than the average of the posted prices at the well of Humble Oil & Refining Company, Magnolia Petroleum Company and The Texas Company (or such of them as post prices and if none do, then the average of the prices posted by companies other than the parties hereto) for purchases of 35.0-35.00 A.P.I. gravity West Texas (sour) crude oil in Crane, Ector, Upton and Winkler Counties, Texas (now \$2.42 per barrel) as of the hour and date of commencement of loading of each cargo of Kuwait crude oil sold hereunder plus \$0.70 per barrel; or

(b) the total net payment computed as set forth in paragraph (1) (b) above is less than \$1.50 per net barrel;

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then by 90 days' advance written notice to Cities in which the occurrence of either of the events set forth in sub-paragraphs (a) or (b) of this paragraph is specified as the cause, Gulfex and Gulf may suspend the provisions of this Agreement as to future deliveries hereunder for such period or periods as Gulfex and Gulf may jointly elect, unless Cities, within 30 days after the receipt of such notice, offers in writing to increase the total net payment to Gulfex and Gulf by an amount equal to the deficiency causing the suspension. If the suspension results from an option exercised under sub-paragraph (a) hereof, such suspension period shall automatically terminate when the total net payment as defined in paragraph (1) (a) of this Article would, except for such suspension, in any month of the suspension period equal or exceed the average of the posted prices for West Texas (sour) crude as aforesaid plus \$0.70. per barrel; but if the suspension results from an option exercised under sub-paragraph (b) hereof, such suspension period shall automatically terminate when said net payment as defined in paragraph (1) (b) of this Article, would, except for such suspension, be equal to or exceed \$1.50 per net barrel.

(3) If in any calendar month during the term of a suspension period which is in effect by virtue of paragraph (2) (b) of this Article, Gulfex or Gulf sells and delivers Kuwait crude oil to others for importation into the United States at prices f.o.b. Kuwait lower than \$1.50 per net barrel less Factor "G", as calculated under the provisions of Article 21 hereof (such sales being hereinafter in this Article called "below floor sales"), then Gulfex and Gulf, as the case may be, shall within 10 days after the end of that calendar month, give Cities written notice of all below floor sales during such month, including in such notice prices, volumes and delivery dates relating thereto, and Cities shall have the option with respect to each such month to require delivery and processing of Kuwait crude oil by Gulfex and Gulf in the manner and to the extent hereinafter set forth:

(a) for each month during said suspension period in which Gulfex or Gulf makes below floor sales, Cities may, by notifying Gulfex and Gulf within 10 days after receipt of notice of such sales, require Gulfex to deliver f.o.b. Kuwait and Gulf to process at Philadelphia, 630,000 net barrels of Kuwait crude oil. Each purchase of said quantity made by Cities pursuant to such an option is hereinafter referred to as a "suspension option purchase";

(b) for each net barrel of crude oil delivered f.o.b. Kuwait to Cities under a suspension option purchase, Cities shall pay to Gulfex the weighted average price

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per net barrel of all below floor sales in the month in respect of which Cities elected to make such a suspension option purchase, and shall pay to Gulf for the processing of each net barrel of such crude oil a sum equal to Factor "G";

(c) Cities shall be required to begin accepting delivery of each suspension option purchase, f.o.b. tankers in Kuwait, within 90 days from the date on which it exercises its option to make such purchase and to continue accepting such deliveries at the approximate average rate of 21,000 barrels per day. After termination of the suspension period Cities shall be entitled to receive delivery of all suspension option purchases, to which it became entitled by reason of options exercised prior to said termination, at the price for each provided in the preceding sub-paragraph (3) (b);

(d) if Cities exercises such option or options to make suspension option purchases, Cities shall be obligated for a period of 90 days after it has lifted the suspension option purchases to continue to take deliveries at an average rate of 21,000 net barrels per day and the applicable price shall be the price per net barrel for below floor sales received by or payable to Gulfex or Gulf during the last calendar month in which below floor sales were made prior to the date of each lifting, plus Factor "G"; provided, that if, the suspension period has automatically terminated before or during said 90-day period, the price for the quantities delivered after said termination shall be the formula price set forth in Articles 3 and 12;

(e) all terms and conditions of this Agreement not affected by special provisions contained in this Article shall apply to suspension option purchases. When the suspension period terminates Gulfex and Gulf shall promptly notify Cities and within 90 days thereafter all parties shall resume full performance of all terms and conditions of this Agreement; provided that, if a suspension option purchase is in the process of being lifted by Cities there shall be no interruption in deliveries.

27. (1) For the purpose of this Article only, the term "total net payment" means the amount per net barrel Cities would be required to pay, in accordance with the provisions of Articles 3 and 21 hereof or Article 22 if applicable, to Gulfex and Gulf for Kuwait crude oil delivered under this

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Agreement, less (i) the cost per net barrel of crude oil attributable to future increases in the rates of existing income or other taxes or assessments imposed by the Kuwait Government, and (ii) the cost per net barrel of crude oil attributable to new taxes or assessments which may be imposed in the future by the Kuwait Government.

(2) If Cities exercises its option to cancel that portion of the Agreement relating to Gulf's processing the Kuwait crude oil for Cities account as provided in Article 21 hereof, or purchases Kuwait crude oil under Article 22 hereof, and thereafter in either case the total net payment by Cities is less than \$1.00 per net barrel, Gulf shall have the right at any time or from time to time during the period of this Agreement, after 90 days' advance written notice to Cities, to cause Gulfex to suspend this Agreement as to future Kuwait crude oil deliveries hereunder, for such period or periods as Gulf may elect, unless Cities, within 30 days of the receipt of such notice, offers in writing to increase the total net payment to Gulfex and Gulf by an amount equal to the deficiency. Such suspension period shall automatically terminate when the aforementioned net payment in this Article is \$1.00 or more per net barrel. Provided, however, that if in any month during such suspension period, Gulfex or Gulf sells and delivers Kuwait crude oil to others for importation into the United States at prices f.o.b. Kuwait lower than \$1.00 per net barrel, then the provisions of paragraph (3) of Article 26 shall apply, except that:

- (a) "Below floor sales" as used in said paragraph (3) of Article 26 shall, for the purpose of this Article, be deemed to be sales to others below \$1.00 per net barrel f.o.b. Kuwait; and
- (b) Factor "C" shall not be included in the computation of the price Cities shall be required to pay for Kuwait crude oil purchased under the option herein contained.

28. War Risk Insurance is provided for in the determination of Factors "B" and "C" in Article 12 hereof. If Gulf incurs War Risk Insurance costs for inclusion in Factor "C", and these costs exceed by more than 10¢ per barrel the calculated premiums for such War Risk Insurance included in Factor "B", then Gulf shall bear the first 10¢ of said difference in costs but any additional difference in such costs, up to and including 50¢ per barrel, shall be borne equally by Gulf and Cities and Cities shall pay Gulf separately for such costs. If however said difference in War Risk Insurance costs exceeds 60¢ per barrel and Gulf refuses to assume the whole of such amount in excess of 60¢, then Cities may suspend liftings of crude oil hereunder during the period of Gulf's refusal; if

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such period of suspension or refusal continues for 24 successive months either party may cancel this Agreement by giving the other party written notice of cancellation within 30 days after the end of said 24-month period. If Cities loses the whole or part of a cargo of Kuwait crude oil by causes normally covered by War Risk Insurance and said loss was not so covered, Gulf agrees to replace such cargo loss in Kuwait without charge for the quantity of crude oil so replaced.

29. If, at any time, during the period of this Agreement a dispute shall arise between the parties hereto with reference to a matter specifically left for future review and determination in Articles 3, 12, 16, 18, 21, and 23 hereof, then failing agreement to settle it in any other way within the time prescribed in said Articles said matter in dispute shall be submitted to arbitration. One arbitrator shall be nominated by Cities and one arbitrator shall be nominated by either Gulf or Gulfex, depending upon which of the latter two parties is directly involved in the controversy. Each party shall nominate its own arbitrator within 30 days after written notice of a request so to do by the other party and the two arbitrators so nominated shall select a third arbitrator. If either party refuses or neglects to nominate an arbitrator within 30 days after being requested in writing to do so, the arbitrator nominated by the other party may decide the question involved and his decision shall be final and binding on the parties and there shall be no appeal therefrom except as provided by law. Should the two arbitrators nominated by the parties be unable or unwilling to agree upon a third within 10 days, the third arbitrator shall be designated by the Chief Justice of the Supreme Court of the Commonwealth of Pennsylvania. All decisions of a majority of the arbitrators shall be final and binding on the parties, and there shall be no appeal therefrom except as provided by law. The costs of the arbitration shall be borne equally by the parties thereto.

30. All written notices required to be given under the terms of this Agreement shall be given by letter, telegram or cablegram addressed to the respective parties at the addresses stated below except where otherwise specified herein, or to such other addresses as they shall respectively hereafter from time to time designate in writing to each other:

Gulf Oil Corporation  
Post Office Box 1166  
Pittsburgh 30, Pennsylvania

Gulf Exploration Company  
Post Office Box 1166  
Pittsburgh 30, Pennsylvania

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Cities Service Oil Company (Pa.)  
Sixty Wall Street  
New York 5, New York

The depositing in the mail of a letter properly addressed with adequate postage affixed or the filing of a prepaid telegram or cablegram with the telegraph office, followed by mailed copy of such telegram or cablegram, shall be considered notice to the addressee of the contents of such letter, telegram or cablegram.

31. Except as provided in the last paragraph of this Article 31, force majeure shall not release a party hereto from any of its obligations hereunder. Its existence shall (except with respect to matured obligations for the payment of monies due hereunder which it is agreed shall not be affected by force majeure) be effective only to suspend or hold in abeyance the performance by a party of its obligations and prevent such failure to perform, if and insofar as such failure is caused by force majeure, from constituting a breach of this Agreement during the period of such failure so caused. The party whose performance has been interrupted by force majeure shall use every reasonable means to resume full performance of this Agreement as promptly as possible.

As used in this Agreement, the term "force majeure" shall mean any cause or circumstance of whatever nature, whether pertaining to a party hereto or to its agents, contractors or subcontractors who are engaged in the construction of equipment or supplying material or equipment necessary in the performance of this Agreement, and which is not within the control and which cannot, by the exercise of reasonable diligence, be prevented or overcome by said party hereto; such as, but not limited to, acts of God; acts or orders of governmental bodies, de jure or de facto, prohibiting the performance of the Agreement or directly or indirectly prohibiting or restricting the furnishing or use of materials, equipment or labor required for such performance; strikes, lockouts or other labor and industrial disputes; arrests or restraints of governments, de jure or de facto; interruptions as a result of government, de jure or de facto, or court orders or orders of any regulatory body having or asserting jurisdiction; acts of the public enemy, wars, riots, sabotage, blockades, embargoes, or insurrections; inability to secure materials, equipment or labor because of priority or similar regulations of a government, de jure or de facto; epidemics, famines, landslides, hurricanes, lightning, earthquakes, fires, storms, floods, washouts or explosions; and breakage or accident to machinery or equipment.

Notwithstanding anything contained herein to the contrary, if any party hereto shall be prevented by force majeure from performing any of its obligations under this

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Agreement for a continuous period of 24 successive months or if said Agreement is suspended for a period of 24 successive months under Article 26, 27 or 28 hereof, then any party hereto may cancel this Agreement by giving the other parties hereto written notice of cancellation within 30 days after the end of said 24-month period.

32. This Agreement shall be construed and take effect in accordance with the laws of the Commonwealth of Pennsylvania. The parties hereto intend to be legally bound hereby.

33. No party hereto shall assign the whole or any part of its rights or obligations under this Agreement without the written consent of all of the other parties hereto; provided, however, that an assignment without written consent may be made by a party to a corporation owning, directly or indirectly, at least 51% of the voting stock of said party or to a corporation of which said party owns, directly or indirectly, at least 51% of the voting stock or to a corporation at least 51% of the voting stock of which is owned directly or indirectly by a corporation which owns directly or indirectly at least 51% of the voting stock of said party. Unless otherwise agreed in writing at the time, no assignment of rights or obligations under this Agreement shall relieve a party hereto from primary liability for the performance of the terms of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed in triplicate, each of which shall be considered an original, by their duly authorized officers and their corporate seals to be hereunto affixed as of the day and year first above written:

## GULF EXPLORATION COMPANY

Attest:

(SEAL)

/s/ L.J. McCord  
Assistant Secretary

/s/ S. A. Swensrud  
President

## GULF OIL CORPORATION

(SEAL)

Attest:

/s/ L.J. McCord  
Assistant Secretary

/s/ R. M. Bartlett  
Vice President

## CITIES SERVICE OIL COMPANY (PA.)

Attest:

(SEAL)

/s/ R.A. Cuthbertson  
Secretary

/s/ J. A. Kelley  
Vice President

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*Exhibit 28, Annexed to Affidavit of George H. Hill, Jr.***EXHIBIT "A"**

Bulk Oil Value at Gulf Coast and Philadelphia of the Forty-Two Gallons of Products Gulf agrees to deliver to Cities for each net barrel of Kuwait Crude Oil delivered by Cities into Gulf's Philadelphia, Pennsylvania, crude oil storage tanks.

- Basis: (1) Platts weighted average low quotation Gulf Coast Cargoes Domestic, All Ports for the month of May 1952.
- (2) Transportation from the Gulf Coast to Philadelphia at \$2.4435 per ton.

<u>Products</u>	<u>Yield Gals. Per Bbl./ Crude</u>	<u>Platts Weighted Average Gulf Coast Low May 1952 (Factor "A")</u>		<u>Transportation Gulf Coast to Philadelphia (Factor "B")</u>		<u>Bulk Oil Product Value at Phila. (Factors "A" + "B")</u>	
		<u>\$/Bbl. of Crude</u>	<u>\$/Gal.</u>	<u>\$/Bbl. of Crude</u>	<u>\$/Gal.</u>	<u>\$/Bbl. of Crude</u>	<u>\$/Gal.</u>
Premium Gasoline (92 Octane)	5.54	12.0000	0.6648	0.6687	0.0370	12.6687	0.7018
Regular Gasoline (86 Octane)	13.15	11.0000	1.4465	0.6687	0.0879	11.6687	1.5344
Kerosene	2.10	9.0000	0.1890	0.7364	0.0155	9.7364	0.2045
No. 2 Fuel Oil	7.16	8.0000	0.5744	0.7757	0.0557	8.7757	0.6301
No. 5 Fuel Oil	<u>14.03</u>	4.1667	<u>0.5846</u>	0.8951	<u>0.1256</u>	5.0618	<u>0.7102</u>
T o t a l	42.00		3.4593		0.3217		3.7810

Note: (a) These values apply to cargo liftings of at least 30,000 barrels. For barge liftings product values will be increased by \$0.02 per barrel of product and for tank car and tank truck liftings product values will be increased by \$0.04 per barrel of product.

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## EXHIBIT "B"

ESTIMATED COST OF OPERATING 18,000 DWT U.S. FLAG PRODUCTS TANKER  
IN GULF COAST/PHILADELPHIA TRADE

BASIS: Construction Cost @ \$279 DWT \$5,022,000

Sea Voyage @ 15.5 K	9.8 Days
Port Time	2.5
	12.3 Days
Total	28.05
Trips per Year (345 Days)	17,032
Tons per Trip	477,748
Annual Cargoes - Tons	

COST:		ANNUAL	PER TON
Wages: Base	\$168,496		
Overtime	58,514		
Vacation & Relief	13,896		
Pension & Welfare	5,469	\$ 246,375	\$.5157
Subsistence		29,200	.0611
Stores, Supplies & Expense		39,785	.0833
Repairs		109,500	.2292
Insurance:			
Hull & Machinery		67,722	.1418
P&I & Crew Interests		13,868	.0290
War Risk		5,110	.0107
Overhead:			
Pay roll Taxes	\$ 5,278		
Employees' Benefits	15,667		
Admin. Expense - Dept.	30,523		
" - General	13,816		
Misc. Ins. Auto, Fire,			
Fidelity	204		
Dep'n of Office Equipment			
& Autos	289		
Taxes - Federal, State &			
Local Franchise & Use	223	65,700	.1375
Fuel 91,564 Bbls. @ \$1.85		169,393	.3546
Port Charges @ \$1,500 Trip		42,075	.0881
Depreciation (20 Yr. Less 2-1/2%)		244,822	.5124
Interest (3-1/2% on Ave. Investment)		87,885	.1840
Cargo Insurance		4,786	.0100
Evaporation and Handling Loss		41,158	.0861
TOTAL		<u>\$1,167,379</u>	<u>\$2.4435</u>



*Exhibit 28, Annexed to Affidavit of George H. Hill, Jr.*

## EXHIBIT "C"

AVERAGE COST INCURRED BY GULF, ITS SUBSIDIARIES AND AFFILIATES, IN OPERATION OF THEIR 28,000 TO 33,000 DWT FOREIGN FLAG TANKERS FOR THE PERIOD JULY 1, 1951 TO JUNE 30, 1952, INC.

## KUWAIT/PHILADELPHIA TRADE

	ANNUAL	TON	BBL. 31.5° API
Wages	\$ 94,488	\$ .4900	\$ .0664
Subsistence	29,476	.1529	.0207
Stores, Supplies, Manning & Misc. Expense	54,409	.2822	.0383
Repairs and Maintenance	77,998	.4045	.0548
Insurance:			
Hull & Machinery	71,792	.3724	.0505
P&I and Social	30,989	.1607	.0218
War Risk Insurance	16,278	.0844	.0114
Overhead	29,200	.1514	.0205
Fuel	352,948	1.8305	.2481
Port Charges	15,288	.0793	.0107
Suez Canal Tolls	168,280	.8728	.1183
Cargo Insurance	11,834	.0614	.0083
Evaporation and Handling Loss	12,523	.0650	.0088
<b>TOTAL</b>	<b><u>\$965,503</u></b>	<b><u>\$5.0075</u></b>	<b><u>\$ .6786</u></b>

## Items Excluded:

Depreciation (20 Yr. Life

2-1/2% Salvage)

Interest @ 3-1/2%

\$299,813	\$1.5549	\$ .2107
107,625	.5582	.0756
<u>\$407,438</u>	<u>\$2.1131</u>	<u>\$ .2863</u>

**Supplemental Affidavit of George H. Hill, Jr.,  
May 20, 1960, and Supporting Exhibits**

[11470] UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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[SAME TITLE]

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STATE OF NEW YORK }  
COUNTY OF NEW YORK } ss.:

GEORGE H. HILL, JR., being duly sworn, deposes and says:

1. I am informed by the attorneys for Cities Service Company that during the oral argument on May 9, 1960, of Cities Service's motion for summary judgment, the Court requested or was offered documentation of certain statements made to it by counsel, as follows:

(a) Counsel for Standard Oil Co. (New Jersey) informed the Court of a communication from the State Department in February, 1952, requesting non-official entities to avoid involvement in the British-Iranian oil controversy. This communication was marked for identification as SO (NJ) Exh. 3 on the examination before trial of plaintiff conducted by Standard Oil Co. (New Jersey); and it is one of the papers submitted to the Court by plaintiff on this motion.

(b) Counsel for Cities Service revealed to the Court that the trip to Iran of W. Alton Jones had been under [11471] taken with the full approval of the United States Government, including the specific approval of the Presi-

*Supplemental Affidavit of George H. Hill, Jr.,  
May 20, 1960, and Supporting Exhibits*

dent of the United States. This is established by exhibits 71 and 75, annexed to this affidavit.

(c) Counsel for Cities Service stated that Cities Service maintained its interest in Iran long after the Iranian trip. This is established by exhibits 60 through 70, 72 through 74 and 76 through 81, annexed to this affidavit.

2. I have set forth below a chronological listing of these exhibits, together with short descriptions thereof.

<u>Exhibit No.</u>	<u>Date</u>	<u>Description</u>
60	Sept. 29, 1952	Letter from F. Ashraf of the National Iranian Oil Co. to A. P. Frame, of Cities Service, requesting technical advice.
61	Oct. 1, 1952	Interoffice Cities Service memorandum from A. P. Frame to B. S. Watson, regarding proposed loan of Cities Service technicians to Iran, and suggesting names of Cities Service personnel for this purpose.
62	Oct. 16, 1952	Letter from Frame to Ashraf, furnishing requested advice.
63	Oct. 28, 1952	Letter from Jones to Parkhideh, stating that U.S. Government officials were then so occupied in national elections, that it was difficult to achieve attention to pressing matters.
64	Oct. 28, 1952	Letter from Jones to Parkhideh, telling of talks by Jones with Iranian officials, in which he had emphasized the importance to Iran of solution of compensation questions with the British, which would permit use of Anglo-Iranian transportation facilities.
65	Oct. 30, 1952	Letter from Allah-Yar Saleh, Iranian Ambassador to United States, to Mr. Jones, stating that he had sent to Premier Mossadegh a report of his talks with Jones on October 2.
66	Nov. 15, 1952	Letter from M. G. Bayat, Managing Director of National Iranian Oil Co., to W. Alton Jones, thanking Jones for the dispatch of equipment for the Abadan refinery.
67	Nov. 24, 1952	Letter from Jones to Henderson, stating that Jones wishes to discuss with Henderson several matters concerning Iranian oil problem.

*Supplemental Affidavit of George H. Hill, Jr.,  
May 20, 1960, and Supporting Exhibits*

<u>Exhibit No.</u>	<u>Date</u>	<u>Description</u>
68	Dec. 19, 1952	Interoffice memorandum from A. P. Frame to W. Alton Jones, stating that six Cities Service technical experts had been approached and had agreed to go to Iran. "It is my understanding that it is not your desire to make these individuals available to the National Iranian Oil Company until you have had further discussions with our own State Department in regard to this matter."
69	Dec. 22, 1952	Letter from Jones to Allah-Yar Saleh, Iranian Ambassador to U.S., enclosing list of available Cities Service technicians. "It would be desirable to secure approval or acquiescence of our State Department before authorizing these men to proceed to Iran, in order that there would be no international complications."
70	Dec. 22, 1952	Letter from Jones to Parkhideh, stating that this period of a changeover in national administration was a difficult time to secure action in the U.S., but that Jones continues to have talks with Government officials, including Henderson, in effort to bring British government into "more rational approach". With regard to your request for a loan of technicians, we have supplied your ambassador with a list of available men from Cities Service.
71	Dec. 31, 1952	Letter to Jones from Secretary of the Interior Oscar Chapman, stating that Jones had met with President Truman, Director of the Central Intelligence Agency Gen. Bedell Smith, Under Secretary of State Bruce, and other governmental officials, prior to leaving for Iran.
72	Jan. 6, 1953	Letter from Jones to John Foster Dulles, incoming Secretary of State, enclosing legal opinion of Davis, Polk, Wardwell, Sunderland & Kiendl supporting Iranian position in Iranian-British dispute.
73	Jan. 6, 1953	Letter from Jones to Herbert Brownell, Jr., incoming Attorney General of the United States, enclosing Davis, Polk, Wardwell, Sunderland & Kiendl opinion supporting Iranian position.
74	Jan. 8, 1953	Letter, Parkhideh to Jones: You have probably been informed of the decision to request officially the loan of technicians.



*Supplemental Affidavit of George H. Hill, Jr.,  
May 20, 1960, and Supporting Exhibits*

<u>Exhibit No.</u>	<u>Date</u>	<u>Description</u>
75	Jan. 19, 1953	Letter from the President of the United States, Hon. Harry S. Truman, to W. Alton Jones, stating that Jones had made his trip to Iran after conferring with President Truman who had determined, after consulting with his advisors, that trip would be in the "national interest".
76	April 18, 1953	Letter from M. Bayat, Managing Director of the National Iranian Oil Company, requesting training of Iranian employees and loan of Cities Service technicians.
77	May 16, 1953	Letter from Mr. Jones' secretary to Mr. Bayat, acknowledging letter of April 18 and stating that Mr. Jones would respond to it after conferences in Washington during the week of May 25.
78	May 20, 1953	Letter from A. P. Frame to Reza Fallah of National Iranian Oil Company, concerning the proposal to supply or train technicians. "You also understand, I am sure, that . . . such a plan would need to have the complete approval and support of our own State Department as well as of your own governmental authorities."
79	June 17, 1953	Letter from Fallah to Frame, responding to letter of May 20.
80	July 2, 1953	Letter from Frame to Fallah, stating that with regard to the supplying of Cities Service technicians to Iran, Mr. Jones has had many conversations with U.S. Government officials in order to secure "in advance the blessing of our government for any proposed action. <i>No such blessings were offered by the U.S. government</i> and consequently Mr. Jones has not felt free to send our technologists to Iran as originally contemplated" (emphasis supplied).
81	July 10, 1953	Letter from Mr. Jones to Premier Mossadegh, commenting on an exchange of correspondence between Premier Mossadegh and President Eisenhower, and referring to the discussions between Mossadegh and Jones with regard to the earlier Churchill-Truman note.

(Sworn to by George H. Hill, Jr., on May 20, 1960.)



EXHIBIT 60, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

Abadan  
29th Sept. 1952

Mr. A.P. Frame  
Cities Service Co.,  
New York.

My Dear Mr. Frame;

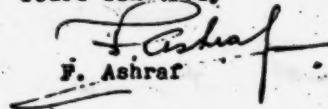
Your kind promise to help us with any problems we may have in the Refinery has prompted me to write this note.

In the Clay Contact Unit of our Lub Oil Plant we are having trouble with the discharge of spent clay through the screw conveyor or "Scroll". The mixture of oil and clay cut from the filter surface by the knife blade and dumped on the scroll sticks to the helical vanes and does not come out at the end, thus jamming the conveyor and tripping the electric motor.

We are trying our best to remedy the situation. Meanwhile could one of your experts give us information about what may go wrong in this part of the unit to cause the above trouble. No need to say that any advice on this matter from your engineers will be highly appreciated.

Hoping to hear from you very soon,

Yours sincerely

  
F. Ashraf

11412

# EXHIBIT 61, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.

October 1, 1952

Mr. B. S. Watson:

While we were in Iran several conversations were had with the officials of the National Iranian Oil Company regarding our supplying some technical assistants for a limited period of time to aid the Iranians in operating their lube plant at Abadan, as well as for certain other specialized jobs.

It was tentatively agreed that we would supply six men for this purpose - three to be experts in lube operations, one a skilled instrument man, one to establish inspection procedures for operating equipment, and the sixth man an expert in power generation to aid the Iranians with their power situation at Abadan and also in the fields.

Since my return I reviewed the situation and we have tentatively selected one man and an alternate whom we feel would be thoroughly qualified to do the work. I am listing the names of these men and the company where they are now employed.

## MEK and Clay Treating

Carter Simpson - W. F. Pollard (Cit-Con)

## Mutual

C. A. Bumpus - C. P. Goforth (Cit-Con)

## Compounding and Packaging

Don Suddell - Don Stover (Pennsylvania Co.  
Delaware Co.)

## Instruments

W. Lealie Willoughby - Carl A. Brodine (Cities Service Refining)

## Inspection

E. C. Hendrickson - H. E. Carlson (Cit-Con  
Delaware Co.)

## Power Generation

D. L. Funkhouser - F. I. Stalnecker (Cities Service Refining)

11413

*Exhibit 61, Annexed to Affidavit of George H. Hill, Jr.*

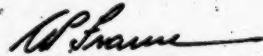
-2-

These men are all top-flight men in the Cities Service organization whom we feel could be spared from their present jobs for a six-months' period, without damaging our own operations since all of these men have assistants who can, for a limited period of time, take over their normal duties.

If it is decided to go ahead with the furnishing of technical assistants, I would suggest that these men be approached on the basis that their service in Iran would be limited to a six-months' term; that they would continue on their present payroll for this period; that their expenses would be paid and that on their return would be given a bonus equal to three months' salary. Of course, they would return to their jobs which they now hold.

On the above basis, I estimate that the cost to Cities Service organization for these six men for the six-months' period would not exceed \$50,000.

Before approaching these men, I wish to be sure that the plan as proposed meets with your approval, and that of Mr. Jones.



A. P. FRAME

bw

11414

EXHIBIT 62, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

air mail

C. S. Petroleum, Inc.

October 16, 1952

Mr. F. Ashraf,  
National Iranian Oil Company,  
Abadan, Iran.

Dear Mr. Ashraf:

I was very glad to hear from you under date of September 29. The trouble you are having with spent contact clay jamming in the scroll conveyor has been discussed with our technicians. It is their opinion that the most probable causes are a dull knife blade or a cake that is too wet, or a combination of these factors.

It has been their experience that a dull knife blade causes the clay to come off the cake in balls or lumps rather than being cut off sharply and that this is often followed by accumulation in the scroll. This tendency can usually be overcome by sharpening the blade to give a clean cut.

The wet cake is usually caused by the inert gas employed to dry the cake being too low in temperature to bring the clay to the necessary degree of dryness. In that case the clay tends to ball together and stick to the scroll instead of carrying on through. The remedy is to increase the temperature of the inert gas, or, if the inert gas tubes in the heater have been by-passed, to return them to service. We have had some trouble with these tubes burning out in which case they are by-passed but operation of the scroll conveyor is never satisfactory on these occasions. We are planning on installing alloy inert gas heater tubes to minimize this difficulty.

My kind regards to Doctor and Mrs. Fallah and yourself.

Sincerely yours,

A.P. Franz  
FAC

11415

EXHIBIT 63, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

October 23, 1952

Mr. Abbas Parkhideh,  
Manager, Purchase Department,  
National Iranian Oil Company,  
Tehran, Iran.

My dear Abbas:

Your letters of October 11th and 15th have been received, together with copies of the photographs taken at Abadan, as well as those taken while we were with His Holiness, Ayatollah Kashani.

Please convey to His Holiness my sincere thanks for his courtesy in autographing the photograph and tell him that I shall always keep it as a reminder of one of the most interesting experiences I had while in Tehran.

Please also convey to him my deep appreciation for his expression of confidence and good will. You may assure him that Iran and its problems, particularly as they relate to oil, are still very much in my mind and, in spite of many complications, I am hopeful that a solution may be found.

Some appearances to the contrary, I am still convinced that the United States wants to be helpful and will continue to work toward an honorable solution of the oil dispute.

Patience and restraint are required on all sides and I hope that the subject will have the continued interest and thoughtful consideration of His Holiness and other patriotic Iranians who want to see a better day ahead for your country.

Washington executives are now so busily occupied in the national elections, which will be held one week from today, that it is difficult to get attention to pressing matters there.

11416



*Exhibit 63, Annexed to Affidavit of George H. Hill, Jr.*

-2-

After the election is over it should be possible to have some further and more satisfactory talks about the situation.

As soon as there is anything of importance to report I shall advise you.

In the meantime, please convey my kindest regards to His Holiness, His Excellency, the Prime Minister, Senator Bayat and my other good friends.

Sincerely,

EXHIBIT 64, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

October 28, 1952

Mr. Abbas Parkhideh,  
Manager, Purchase Department,  
National Iranian Oil Co.,  
Tehran, Iran.

My dear Abbas:

You may recall, at the time I said good-bye to you at the airport in Tehran, you handed me a letter addressed to Mr. A. Makhlouji, Economic Adviser to Mr. Makki, c/o the Iranian Embassy in Washington, and, as I recall it, you suggested it might be desirable for me to meet with Mr. Makki.

When I returned to the United States Mr. Makki was on a tour of the country as a guest of the World Bank. As I understand it, Mr. Makki visited some of our industrial centers, such as Detroit, Chicago and Kansas City and then made a trip to the northwest to see something of the water power developments and irrigation projects in the west; thence to Houston, Texas, where he met Cap Kleber who showed him something of the oil country.

He then came back to Washington and, after a few days there (including a long conference with members of the State Department), came on to New York. On his arrival here Mr. Foroughi, Consul General in New York, called my office and advised that Mr. Makki would like to see me.

I went up to his hotel on Friday, October 17th, and met with Mr. Makki, Mr. A. Parsa, a member of Parliament, and Mr. Foroughi. On Wednesday last Mr. Makki and his party, consisting of Messrs. Parsa, Makhlouji, Foroughi and Mr. Menasse, former Commercial Attache in Washington, came to the office where he met some of my associates, including Messrs. Frame, Whetzel and Weston.

Beginning during and after lunch we had a long discussion of the oil problem which confronts your country.

11418

*Exhibit 64, Annexed to Affidavit of George H. Hill, Jr.*

-3-

In my talks with Mr. Makki, both at his hotel and in the office, I emphasized three points -

1. The vital importance of a careful analysis of the oil problem without too much emotion.
2. The lack of public understanding in the United States of the complicated questions involved, and
3. The importance to Iran of some solution of the compensation questions with the British, which would permit the use of the Anglo-Iranian transportation facilities.

It is of course difficult for me to tell just what Mr. Makki's reaction was to my discussion, but he was courteous and attentive and I thought restrained in his expressions.

If you have occasion to see him it would be interesting to have you write me frankly as to what his present attitude is toward the discussions we had here. Such a frank opinion from you might help me very materially in planning my further contribution which I might make to the solution of the oil problem.

With kindest regards, I am,

Sincerely,

11419

EXHIBIT 65, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.



IRANIAN EMBASSY  
WASHINGTON, D. C.

October 30, 1952

No. 1964

Mr. Alton Jones,  
Cities Service Oil Company,  
10 Pine Street,  
New York, N. Y.

Dear Mr. Jones:

I sent a full report to His Excellency  
Dr. Mossadegh on our talks when you kindly called  
on me on October 2nd.

He has commissioned me to forward to  
you his sincere greetings and thanks for your kind  
sentiments towards Iran.

Hoping to see you again soon,

Sincerely yours,

*Allah-Yar Saleh*  
Allah-Yar Saleh,  
Ambassador of Iran.

EXHIBIT 66, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

Khorramshahr, 15th. November, 1952.

Dear Mr. Jones,

I have been intending to write to you and thank you for the articles you have so kindly dispatched to us for use in our Hospitals and Refineries. It was a pleasure to have had you and your colleagues as our guests for the few days you spent in Abadan and the Oilfields.

We are specially indebted to Mr. Frame for the urgent attention he has given to some requirements requested by our General Refineries Manager.

I hope we shall hear from you in due course and we look forward to your further assistance and co-operation.

Please give our kindest regards to your colleagues.

Yours sincerely,

*Morteza Bayat*

M.G. BAYAT

11421



EXHIBIT 67, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

November 24, 1952

My dear Mr. Ambassador:

It would be most gratifying indeed to have a visit with you while you are in the states.

There are several matters about the Iranian oil problem on which I would like to have your views.

If you will indicate the time and place, I shall try to suit your convenience.

With kindest regards,

Sincerely,

Honorable Loy W. Henderson,  
Room 2271,  
New State Department Building,  
Washington, D.C.

11422

# EXHIBIT 68, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.

December 19, 1952

Mr. W. A. Jones:

During our recent visit to Iran various discussions were held with officials of the National Iranian Oil Company regarding the possibility of the Cities Service organization providing six petroleum technologists to assist the Iranians in the operation of their oil facilities at the present level of operations. It was agreed that the immediate need was for three experienced technologists in the field of lube oil manufacture, one instrument engineer, one steam and electric power generation engineer, and one technologist experienced in the field of general refinery inspection operations.

I have reviewed our personnel in this light and the following qualified individuals have indicated their willingness to go to Iran at our request for a period not to exceed six months. Following is the list of the individuals and their qualifications:

E. G. Hendrickson

Age 52; presently Chief Engineer of Cit-Con Oil Corporation, Lake Charles, La. He has been with the Cities Service organization for 28 years and is thoroughly qualified in all fields of refinery maintenance and inspection activities.

F. I. Stalneck

Age 49; presently Superintendent of Power, Cities Service Refining Corporation, Lake Charles, La. He has been 10 years with the Cities Service organization and is thoroughly qualified in the fields of steam and power generation and distribution.

W. L. Willoughby

Age 47; presently head of the Instrument Department, Cities Service Refining Corporation, Lake Charles, La. He has been 18 years with the Cities Service organization and is probably one of the foremost instrument engineers in the refining industry.

C. F. Goforth

Age 34; presently Chemical Engineer of the Extraction Units, Cit-Con Oil Corporation, Lake Charles, La. He has been 7 years with the Cities Service organization and is a highly trained technical man specializing in the field of the operation of extraction units in lube oil production.

11423

*Exhibit 68, Annexed to Affidavit of George H. Hill, Jr.*

- 2 -

**D. W. Sudell**

Age 49; presently Assistant Plant Superintendent at the Petty's Island plant. He has been 22 years with the Cities Service organization and is experienced particularly in the field of blending and packaging lubricating oils.

**G. L. Simpson**

Age 51; presently Superintendent of the Dewaxing Plant, Cit-Con Oil Corporation, Lake Charles, La. He has been 26 years with the Cities Service organization and is experienced in the operation and technical control of NEI dewaxing facilities.

The total present annual salary of these six men is \$58,200; to this must be added 20% covering the cost to the company of pension plan, thrift plan, insurance, vacations and other benefits, thus bringing the total annual cost to Cities Service of these individuals to \$69,840. To induce these men to accept foreign service for a six-months' period it will be necessary to give them a bonus equivalent to 50% of their present income. On this basis, therefore, the salary cost of these six men for the six-months' period will amount to \$49,470. To this amount would be added about \$9,000 for transportation to and from Iran, plus about \$7,500 for expenses over and above housing and food in Iran. Therefore, the total cost to the National Iranian Oil Company for the services of these six men is estimated to be about \$66,000 for a six-months' period, plus free housing and meals for them while they are in Iran.

Because of our pension plan and other benefits it will be necessary that these individuals be kept on the Cities Service payroll during their stay in Iran and that the National Iranian Oil Company reimburse Cities Service for their total cost.

It is my understanding that it is not your desire to make these individuals available to the National Iranian Oil Company until you have had further discussions with our own State Department in regard to this matter.


**A. P. Frame**

11424

EXHIBIT 69, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

December 22, 1952

Honorable Alah-Yar Salch,  
Ambassador of Iran,  
Iranian Embassy,  
Washington, D.C.

My dear Mr. Ambassador:

You will find enclosed herewith a memorandum from Mr. Franz, the refinery expert who accompanied me to Iran.

This memorandum deals with a list of technicians who might be made available to your country for temporary use.

As I told you over the phone, the approximate total cost to Iran for the six months for the group would be \$66,000.00, plus housing and meals while in Iran. This figure, of course, includes no profit to Cities Service Company or any of our subsidiaries.

It would be desirable to secure approval or acquiescence of our State Department before authorizing these men to proceed to Iran, in order that there would be no international complications.

With kindest regards,

11425

EXHIBIT 70, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

December 22, 1952

Mr. Abbas Parichideh,  
National Iranian Oil Company,  
Tehran, Iran.

My dear Abbas:

I am very sorry that the pressure of work and a difficult travel schedule has prevented my writing you more promptly about the various things which I have been trying to do to help toward a solution of the oil problem.

As I explained to you and Dr. Mossadegh and His Holiness Kashani before leaving Tehran, this has been a very difficult time to secure any action in this country.

From the time of my visit to Iran and through November 4th we were in the midst of our Presidential campaign, which resulted in the election of General Eisenhower. Since November 4th General Eisenhower has been busy picking his cabinet and getting ready to take over the affairs of government on the 20th of January.

In this interim the present government is reluctant to take any positive action concerning important matters for fear of being criticized, and of course it is impossible for the incoming government to take any official actions whatever.

You can see, therefore, that, in spite of the fact that I have had many conferences with present government officials and with incoming government officials, there has been little to show for my efforts.

Please know that I am still vitally interested in your problem and have been doing everything in my power to help toward its solution. These efforts include not only conferences with members of the outgoing and incoming governments but also extended conferences with oil executives, publishers, members of the press and newspaper people.

All of these things have been done in the hopes that I might clear up some of the misunderstandings in America toward the nationalization act and explain away some of the misconceptions which grew out of it.

11426



*Exhibit 70, Annexed to Affidavit of George H. Hill, Jr.*

-2-

Many of these misconceptions are undoubtedly traceable to bad reporting and in some cases propaganda on the part of certain British agencies.

From the conferences I have had I am sure that the new government is fully aware of the seriousness of the situation which confronts your country and wants to do everything in its power to be helpful.

As you know, Ambassador Henderson has been in this country for several weeks and largely through his efforts, after full conversations with me, further efforts have been made to bring the British government into a more rational approach to the oil problem. These efforts have not met with full success, but I am sure some progress has been made.

Ambassador Henderson left yesterday for Tehran and should by this time have acquainted Dr. Mossadegh with his suggestions which he thinks will be helpful.

My own views, which have been heretofore expressed, can be summarized as follows:

1. Agreement should be reached between Iran and Great Britain to refer the question of compensation to the International Court of Justice without reservations. This would leave the Court free to hear both sides of the question and reach an equitable decision.

2. Coupled with the reference to the Court an agreement should be worked out to immediately reactivate Abadan and restore its production to the world oil trade.

3. Either the American government or some other agency and/or oil companies should make prompt financial advances to your country to help meet the strain of your economy.

4. An American organization (perhaps a non-profit one) should be formed to supply technicians which will be needed to fully reactivate your property.

With these things done I am sure that within a relatively short time you would see a revival of your economy to the point where the threat of Communism would be greatly reduced and perhaps avoided entirely.

11427

*Exhibit 70, Annexed to Affidavit of George H. Hill, Jr.*

-3-

To carry into effect the program outlined above will require the full cooperation of your government. By your government I mean not only Dr. Mossadegh, but leaders such as Bakhti, Hafezi and others of the Majlis, as well as His Holiness Kashani, for any agreement proposed not having the support of these men would perhaps not meet with the approval of your people.

You have heretofore asked me about providing technicians for the lubricating oil plant. We have been busy on this and have already selected these men from our own organization who can be made available at an early date.

We have discussed this matter with your Ambassador in Washington and have provided him with a list of the individuals, a record of their experience and the approximate cost of sending them to Iran for a period of six months which we think would be long enough to train a limited number of skilled operators at Abadan.

I know that you must be highly impatient at the apparent delay in some findings to the solution of your problem and I realize that time is of the essence, but I want you to know that the British attitude has greatly complicated a quick solution of this problem and the bitterness which has been engendered on both sides has made it almost impossible to accomplish a speedy solution.

Please convey to Dr. Mossadegh, Senator Bayat and His Holiness Kashani and others my kindest regards and best wishes, and give them the assurance that I am doing everything within my power to help in an honorable solution of the Iranian oil problem.

Sincerely,

11428

# EXHIBIT 71, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.



THE SECRETARY OF THE INTERIOR  
WASHINGTON

December 31, 1952

Dear Pete,

In order that the record may show the parts played by myself and certain other government officials in the planning and execution of your recent trip to Iran in response to Prime Minister Mossadegh's invitation, I wish to recount the history of this event insofar as I know it.

Early in August 1952 you advised me as Petroleum Administrator that you had received a formal invitation from Prime Minister Mossadegh inviting you to come to Iran to survey the petroleum situation in that country and to offer suggestions as to steps which might be taken to reactivate the oil industry of Iran.

At that time you advised me that you were reluctant to accept the Prime Minister's invitation but that before you declined it you wished to ascertain the views of the various U. S. government officials concerned with petroleum matters and the international situation.

After discussing the matter with you in detail and with full realization of the seriousness of the international situation, and on my own initiative and over your objections, I arranged a series of conferences between you and myself and President Truman, Under Secretary of State Bruce, General Bedell Smith of the Central Intelligence Agency, and various other government officials. In these conferences the entire situation was thoroughly explored and, without exception, all government officials participating in these conferences, including myself, urged you to accept Prime Minister Mossadegh's invitation particularly since your company had no direct association with oil operations in the Middle East, thus permitting you to deal objectively with the problem.

It was recognized by all concerned that the invitation was to you as a private individual and that no U. S. government sanction for such a trip was requested or necessary but all the government officials consulted about the matter felt that in the interests of world peace it would be highly advisable for you to accept the Iranian invitation and to see if you, with your broad experience in petroleum and industrial affairs, could aid in the promotion of some acceptable solution of the impasse existing in all plans for the reactivation of the oil industry of Iran.

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*Exhibit 71, Annexed to Affidavit of George H. Hill, Jr.*

In response to the urgings of these government officials you agreed to accept Prime Minister Mossadegh's invitation and did indeed make the trip to Iran. For your efforts in this matter I personally wish to thank you for what you have done and to assure you that our government is indeed grateful for your efforts to find a solution to this most serious international problem.

Sincerely,

*Dwight*  
Secretary of the Interior

Mr. W. Alton Jones  
President, Cities Service Company  
Sixty Wall Tower  
New York 5, New York

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# EXHIBIT 72, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.

January 6, 1953

Mr. John Foster Dulles,  
General Eisenhower's Headquarters,  
Room 735,  
The Commodore Hotel,  
Lexington Ave. & 42nd St.,  
New York, N.Y.

My dear Mr. Dulles:

As promised, I am sending you herewith the opinion and supporting memorandum of the firm of Davis Polk Wardwell Sunderland & Kiendil dealing with the question of the right of the State of Iran to expropriate or nationalize property within its territory and the possible result of a suit brought in American courts against the purchaser of oil from the State of Iran.

Please know that I appreciate sending this opinion to you is perhaps like carrying coal to Newcastle, but when, as and if the subject becomes of interest it might save your office some work.

Please understand further that this opinion was not secured with the idea of supporting any contemplated action which I might take in the purchase of oil.

You already know my views on this subject and you understand that I feel that small purchases of Iranian oil cannot possibly solve the complicated problem and would no doubt tend to complicate it further.

It seems to me the only honorable solution lies in the direction of -

1. Reference of the question of compensation to some independent tribunal, such as the International Court of Justice.

2. Agreement with Anglo-Iranian, Shell and American companies to cooperate in putting Iranian oil back into world trade.

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*Exhibit 72, Annexed to Affidavit of George H. Hill, Jr.*

-3-

3. Staffing of operating company in Iran with technical experts from America or other non-British countries.

4. Substantial financial aid to Iran to bolster their economy until revenues from oil are available again.

There has been no general distribution made of this opinion and brief; in fact only Mr. Winthrop Aldrich, Mr. Herbert Brownell and yourself have received copies.

It would seem that substantial progress is being made in the negotiations now going on in Tehran and London. Even assuming, however, reasonably prompt agreement on general terms, the details will require considerable time to work out and the problem will no doubt be on the doorstep of the new administration for final disposition.

You know of my vital interest in helping in any way I can to support the administration in finding a proper solution to the problem. While I am not looking for any more jobs, please feel free to call upon me if I can be of any help.

Sincerely,

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*Exhibit 72, Annexed to Affidavit of George H. Hill, Jr.*

DAVIS POLK WARDWELL SUNDERLAND & KIENDL  
15 BROAD STREET  
NEW YORK 5, N.Y.

December 16, 1952

Gentlemen:

You have asked me to consider the status before American courts of a purchaser of oil from the Iranian Government. I think the following conclusions are justified by the decisions of our courts up to this time:

1. Under international law a sovereign state, in this case the State of Iran, has the absolute right to expropriate or nationalize property within its territory. Where the act is that of a recognized government performed by one of its agents, our courts will not inquire into the validity of the act under the municipal law of the expropriating state or under international law.

2. Where the Executive Branch of our Government refuses to recognize the expropriating state or its acts as valid, our courts will follow the decision of the Executive.

3. Absent such disapproval by the Executive, which is to say the State Department, no recovery can be had in American courts against a purchaser of oil from the State of Iran, whether the plaintiff be the Anglo-Iranian Oil Co., the British Government or any person claiming under either of them.

The authorities supporting these conclusions are discussed at length in a memorandum heretofore submitted to you.

Yours very truly,

/s/ JOHN W. DAVIS

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# EXHIBIT 73, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.

January 6, 1953

Mr. Herbert Brownell, Jr.,  
25 Broadway,  
New York, N.Y.

My dear Mr. Brownell:

As promised, I am sending you herewith the opinion and supporting memorandum of the firm of Davis Polk Wardwell Sunderland & Kiendell dealing with the question of the right of the State of Iran to expropriate or nationalize property within its territory and the possible result of a suit brought in American courts against the purchaser of oil from the State of Iran.

Please know that I appreciate sending this opinion to you is perhaps like carrying coal to Newcastle, but when, as and if the subject becomes of interest it might save your office some work.

Please understand further that this opinion was not secured with the idea of supporting any contemplated action which I might take in the purchase of oil.

You already know my views on this subject and you understand that I feel that small purchases of Iranian oil cannot possibly solve the complicated problem and would no doubt tend to complicate it further.

It seems to me the only honorable solution lies in the direction of -

1. Reference of the question of compensation to some independent tribunal, such as the International Court of Justice.

2. Agreement with Anglo-Iranian, Shell and American companies to cooperate in putting Iranian oil back into world trade.

3. Staffing of operating company in Iran

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*Exhibit 73, Annexed to Affidavit of George H. Hill, Jr.*

with technical experts from America or other non-British countries.

4. Substantial financial aid to Iran to bolster their economy until revenues from oil are available again.

There has been no general distribution made of this opinion and brief; in fact only Mr. Winthrop Aldrich, Mr. Dulles and yourself have received copies.

It would seem that substantial progress is being made in the negotiations now going on in Tehran and London. Even assuming, however, reasonably prompt agreement on general terms, the details will require considerable time to work out and the problem will no doubt be on the door-step of the new administration for final disposition.

You know of my vital interest in helping in any way I can to support the administration in finding a proper solution to the problem. While I am not looking for any more jobs, please feel free to call upon me if I can be of any help.

Sincerely,

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EXHIBIT 74, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

TEHRAN,  
IRAN.

January 8, 1953.

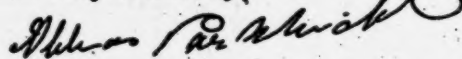
My dear Jones:

Sometime ago Sattareh wrote and told me that you have posted me a letter, so I patiently waited to receive it. However, up till now it has not reached me and as I contemplate leaving for Abadan within the next few days, I decided not to wait any longer so I send you this letter.

You have probably been informed regarding the decision of officially requesting you to send your six men as per your arrangements with Mr. Saleh, and I hope that this will be expedited as much as possible. However, I have been notified by Abadan that they also need a technician well acquainted with corrosion problems and the methods of preventing corrosion. They have mentioned a Metallurgist, but you are definitely in a much better position to say what is best for this purpose, therefore if one of the six men already chosen cannot be useful in this capacity, please give us an additional man for this purpose.

Kindly convey my best wishes to all my friends. My wife sends you her best wishes, and I remain,

Yours very sincerely,



A. Parkhideh.

Mr. W. Alton Jones,  
60 Wall Tower,  
New York City, N.Y.  
U.S.A.

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EXHIBIT 75, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

THE WHITE HOUSE  
WASHINGTON

January 19, 1953

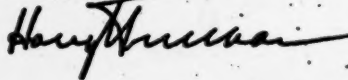
Dear Mr. Jones:

I appreciate your cooperation in connection with your trip to Iran last summer.

When you received Dr. Mossadegh's invitation to visit Iran you were considerate enough to ask my advice before you acted on the invitation. After some consultation with my advisors I decided that it was in the national interest for you to make the visit to Iran.

While you made this trip solely as a private citizen and did not in any way represent the Government of the United States I am certain that with your knowledge and vast experience with petroleum matters the trip should prove helpful to both the United States and the Iranian Government.

Sincerely yours,



Mr. W. Alton Jones  
President  
Cities Service Company  
60 Wall Tower  
New York 5, New York

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EXHIBIT 76, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.



*National Iranian Oil Company*  
*Khosrowshahr, Iran*

Date 18th. April, 1953

Your Ref. \_\_\_\_\_

Our Ref. 395

Dear Mr. Alton Jones,

As you are aware the National Iranian Oil Company is much in need of fully trained Iranians for its technical and commercial operations. Up to the present time exceptional circumstances prevented the Company from taking steps to send abroad employees for higher practical training. I shall be glad if you will kindly let me know whether you can assist the Company in sending to U.S.A. up to one hundred of our educated employees who already have some years of experience of practical value. The selected candidates are intended to undergo intensive training from 6 months to one year in one of the firms or organisations abroad in specialised branches connected with the maintenance and operation of various phases of our activities in the National Iranian Oil Company.

I would like to hear your views about our plans and shall appreciate any assistance which you may be able to render towards materializing our aim.

May I take this opportunity of thanking you and Mr. Frame for the continued interest which you show in assisting our Refineries whenever they are in need of urgently required items of spares and equipment. I should also like to remind you of the promise you made of loaning to us some of your specialists for short periods. Should you find any difficulty in sending such people to Iran we can possibly arrange their formal engagements through our Embassy in Washington provided you introduce the candidates concerned and verify their competence.

I am writing to H.E. the Iranian Ambassador in Washington and I shall ask him to kindly contact you on this matter.

Yours faithfully,

*Morteza Bayat*  
(M. BAYAT)

MANAGING DIRECTOR OF THE NATIONAL  
IRANIAN OIL COMPANY

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EXHIBIT 77, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

May 16, 1953

Senator M. Bayat  
Managing Director  
National Iranian Oil Co.  
Khorramshahr, Iran

Dear Senator Bayat:

Mr. Jones' absence from the office and the pressure of work has not made it possible for him to reply to your letter of April 18.

It is hoped that he will be able to give the matter his attention after conferences in Washington the week beginning May 25.

Yours very truly,

Office of Mr. Jones

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EXHIBIT 78, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

May 20, 1953

Dr. Reza Fallah  
National Iranian Oil Company  
Abadan, Iran

Dear Reza:

Mr. Jones has received a letter dated April 18th from Senator Bayat in which Mr. Jones is asked if he can arrange for the intensive training of up to one hundred of your educated employees in various phases of the petroleum industry.

In this same letter reference is made to the possibility of Mr. Jones arranging for the loan of certain specialists to the National Iranian Oil Company for short periods of time.

Mr. Jones has asked for my suggestions regarding these two subjects and before I make my recommendations to him I would like to ask you if you think there is a reasonable possibility of combining these two items. For instance, during our conversations at Abadan the idea was expressed that the first foreign technical assistance you would need would be specialists in the field of lubricating oil production, instrument engineering and inspection and maintenance practices. Is it possible that you might select from your own organization certain men already experienced in the fundamentals of these particular skills, and send them to this country for training with the expectation that on their return to Iran they would be able to fulfill the duties contemplated for the foreign technologists? Quite obviously such a plan could only be successful if the men to be trained in this country were already thoroughly experienced in the general field of their specialty with the training here to bring them up to date in recent developments and applications.

Mr. Jones has expressed himself to me as being very desirous of aiding your organization in the most satisfactory manner to all concerned so that before I recommend to him any course of action I would appreciate your thoughts in this matter.

You also understand, I am sure, that before any definite steps are taken to supply foreign specialists to the National Iranian

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*Exhibit 78, Annexed to Affidavit of George H. Hill, Jr.*

Oil Company, or to institute a training program for your employees in this country, such a plan would need to have the complete approval and support of our own State Department as well as of your own governmental authorities.

Best personal regards to you and Mrs. Fallah.

Sincerely yours,

A. P. Franz



# EXHIBIT 79, ANNEXED TO AFFIDAVIT OF GEORGE H. HILL, JR.



*National Iranian Oil Company*

*Tehran, Iran*

Date 17th June, 1953

Your Ref. \_\_\_\_\_

Our Ref. 1269/1

Subject \_\_\_\_\_

My dear Frame,

Many thanks for your letter of 20th ultimo in which you have asked my views concerning the possibility of combining (1) the loan of certain specialists to us for short periods of time and (2) the intensive training of some of our educated employees in various phases of Petroleum Industry in the United States.

Combining the two items enumerated above, as discussed in your letter and, as a long term policy, would be an admirable suggestion except for the fact that, at present, we need certain specialists of high standing such as experts on Cathodic Protection, Petroleum Plant Maintenance and Corrosion problems, etc. It would therefore be ideal if the two requests put forward by Mr. Bayat could be met independently and side by side, if at all possible.

I should explain that for the purpose of training our members of staff in the various phases of Petroleum Industry in the United States we do intend to select our candidates from amongst our educated and experienced personnel who could readily benefit from short courses of training and despatch them in groups, by no means all at once, the total number depending on our anticipated production programme up to a maximum of one hundred.

Should it prove impossible to obtain the services of a few highly qualified specialists (who would incidentally train people under them whilst in Iran as well as guide and assist in the day to day operation of our establishment) as the next best alternative I could only

*Exhibit 79, Annexed to Affidavit of George H. Hill, Jr.*

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think of securing the services of Technical Establishments and Academic Institutions such as your good selves, Massachusetts Institute of Technology, Tulsa University, in advisory capacities provided, of course, that it would be possible for their representatives to conduct discussions and carry out inspections on site (i.e. in Abadén) as and when necessary.

I hope my views will be of some use to you and if I get a chance to visit you for a period of 2 or 3 weeks we might be able to discuss our personnel and also our machinery spare part problems in more details and determine more exactly how you can assist us.

I regret I have been unable to reply to your letter in time as I was away from Abadén for a few days.

My wife joins <sup>me</sup> in sending our best regards to you and Mrs. Frame.

Sincerely yours,

*J. Hill*

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EXHIBIT 80, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR.

July 2, 1953

Dr. Reza Fallah  
National Iranian Oil Company  
Abadan, Iran

Dear Reza:

I received your letter of June 17th in which you outlined your ideas as to the training of personnel for your operations in Iran.

I have discussed this situation with Mr. Jones who feels as strongly as ever about assisting the National Iranian Oil Company in securing the services of competent technologists to aid in your operating problems. He has followed this matter thoroughly and has had many conversations with the Iranian representatives in this country, as well as with various U. S. government officials.

In a matter as complex as this involving government policy matters Mr. Jones has been reluctant to make any move without full consultation with our own interested government officials and without securing in advance the blessings of our government for any proposed action.

No such blessings were offered by the U. S. government and consequently Mr. Jones has not felt free to send our technologists to Iran as originally contemplated. It is a matter of deep regret to both Mr. Jones and myself that this situation has developed.

In your letter of June 17th you indicated that if you were to get a chance to visit us for two or three weeks we might be able to work out methods for solving your personnel and spare parts problems. You can rest assured that if you do make such a trip we will be very glad to see you and to assist you in any way we can with your problems. For your information, I do not expect to be in New York during the month of August but will be available at other times.

Mr. Jones has not answered Senator Bayat's letter of April 18th primarily because of his hope that the position of our government in this matter would be clarified. However, this did not happen so that it has been impossible for Mr. Jones to give positive answers to the questions raised by Senator Bayat. I would appreciate it if you would communicate

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*Exhibit 80, Annexed to Affidavit of George H. Hill, Jr.*

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the contents of this letter to Senator Bayat so that he may be aware of the present situation and our continued interest in the operations of your company.

Best personal regards to Senator Bayat and yourself.

Sincerely yours,

A. P. France

AFF:bw

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EXHIBIT 81, ANNEXED TO AFFIDAVIT OF  
GEORGE H. HILL, JR

July 10, 1953

My dear Dr. Mossadegh:

The exchange of correspondence between Your Excellency and President Eisenhower has been made public in the American press today.

Because of my deep and continuing interest in an honorable settlement of the controversy which now exists between your country and the United Kingdom and the serious effect of the prostration of the oil industry on the economy of your country and the hardships which result therefrom, I am prompted to offer some observations on your letter and that of the President.

In your letter to the President you say "It should be recalled that the Iranian government was prepared to pay the value of the former company's property in Iran in such amount as might be determined by the International Court of Justice."

You further say "It was also prepared to accept the jurisdiction of the court with regard to the amount of compensation, provided the British government would state the amount of its claim in advance and that the claim would be within the bounds of reason."

It would appear to me that when you say "The British government should state the amount of its claim in advance and that the claim would be within the bounds of reason" you are reserving to yourself the right of determination of the validity and the amount of the claim and not leaving it to the court.

You will recall that in our discussions of the Churchill- Truman note you raised objections to the language of the last part of paragraph one of the proposals which read: "Having regard to the legal position of the parties existing immediately prior to nationalization."

As I recall it, your interpretation of this language was that the British insisted on profits until 1993, which was in effect, in your opinion,



*Exhibit 81, Annexed to Affidavit of George H. Hill, Jr.*

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equivalent to a reinstatement of the concession and a denial of the right of your government to nationalize the oil industry.

Your condition that the British government state its claim in advance and that it be "within the bounds of reason" would be interpreted by many friendly to your country as your desire to determine in advance whether the British claim was equitable before agreeing to refer it to the court and would imply that you would not be willing to accept an impartial court's decision.

Frankly, it would appear to me that such a position would negate or nullify an arbitration agreement.

President Eisenhower has stated clearly what I believe to be a sound approach to the problem, namely, that the most practicable and fairest means of settling the question of compensation would be that the question be referred to some neutral international body which could consider on the basis of merit all claims and counter claims by both sides.

It is my conviction that the submission of the question of compensation on this basis would lead to an honorable settlement of the dispute.

Perhaps your reluctance to refer the question of compensation to an international tribunal without reservations stems from the fear that the tribunal might recognize some contention that full estimated profits to 1933 should be awarded to the British.

In my opinion, this fear is not justified for to take such a position would in effect deny your country the right to nationalize its oil industry. To my knowledge no decisions affecting nationalization would justify your fear.

Please understand that this letter is written solely because of my keen interest in the solution of the problem which faces you.

My views on this oil problem have been made known to the President and members of our government, but I have not consulted with them about the writing of

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*Exhibit 81, Annexed to Affidavit of George H. Hill, Jr.*

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this letter and they do not know of it. The communication is sent as a private citizen in whom you expressed confidence by an invitation to visit your country to advise with you on oil matters.

Believe me, with sincere regards,

Cordially yours,

His Excellency Prime Minister Dr. Mohammad Mossadegh,  
Tehran,  
Iran.

11448

**Affidavit of Edward N. Costikyan, December 4, 1962**

**[11677] UNITED STATES DISTRICT COURT**

**SOUTHERN DISTRICT OF NEW YORK**

---

**[SAME TITLE]**

---

STATE OF NEW YORK      }  
COUNTY OF NEW YORK    } ss.:

EDWARD N. COSTIKYAN, being duly sworn, deposes and says:

1. I am a member of the firm of Paul, Weiss, Rifkind, Wharton & Garrison, attorneys for defendant Cities Service Company. I make this affidavit in opposition to plaintiff's motion for an order requiring defendant Cities Service Company to produce three categories of documents in addition to the documents already voluntarily delivered to plaintiff in connection with the examination of George H. Hill, Jr.

2. It is our position that the documents requested are entirely outside the subject matters to which Mr. Hill's examination has been limited by the order of this Court dated May 3, 1961. Judge Rifkind has fully stated our position as to the irrelevance of the Consortium Agreement to those subjects and I respectfully refer the Court to the stenographic transcript [11678] of the hearings before the Court of November 7th and November 13th which contain his argument on that point as well as to my previous affidavit of November 13, 1962, in order to abbreviate our papers in opposition to the instant motion.

*Affidavit of Edward N. Costikyan, December 4, 1962*

3. In August of 1962, defendant Cities Service Company delivered to plaintiff a mass of documents for plaintiff's use at the examination of Mr. Hill. These documents included all the documents found in the files of Cities Service Company which related to the subject matters specified in the Court's order of May 3, 1961, except for seven documents which had been previously produced upon our motion for summary judgment, further copies of which were later delivered to plaintiff. All these documents were delivered voluntarily, without any formal or informal agreement having been made with respect to their production.

4. Many additional documents were included which a normal file search based upon relevance would have excluded in order to obviate any apprehension on the part of plaintiff's counsel that evidence which would be germane to the two issues as to which they were to examine Mr. Hill was being withheld by a narrow construction of the Court's order.

5. For example, with respect to the acquisition by Cities Service Company of the opportunity to become a member of the Iranian Oil Consortium, we delivered documents to plaintiff which not only go up to the date of the actual acquisition by Cities Service Company of the opportunity to participate with other companies in a 5% interest in the Consortium but which also go on to include the negotiations of all the twelve companies which acquired the same opportunity. These documents also include drafts of the Participants' Agreement itself and [11679] related documents and show the final transfer by Cities Service to Richfield Oil Corporation of its right of participation.

*Affidavit of Edward N. Costikyan, December 4, 1962*

6. The principal Consortium Agreement itself, however, was not included.

7. In discussing our delivery of documents with Mr. Beshar I stated to him that while he did not believe the Consortium Agreement itself to be relevant we would have delivered it to him were it not for the fact that we had been apprised, as we believed plaintiff's counsel had been apprised, that other defendants strongly believed this agreement to be entirely irrelevant to the complaint and of a highly sensitive and secret nature. I informed Mr. Beshar that we would not deliver the Consortium Agreement voluntarily and that he should move for its production if he believed it to be relevant and material to the examination of Mr. Hill.

8. On October 2, 1962, in response to further inquiries from Mr. Beshar, Mr. Slatt of our office wrote to Mr. Beshar as follows:

"Copies of the principal agreement constituting the Iranian Consortium were not delivered to you because this material does not relate to the acquisition by Cities Service Company of an opportunity to participate in that percentage of the Iranian Consortium which was allocated to companies which were not parties to the principal agreement."

9. In subsequent discussions with Mr. Beshar I again expressed our view that documents relating to the Iranian Oil Consortium itself were not relevant to the subject matters to which Mr. Hill's examination was limited but that, just as we had been willing to deliver other documents which were not strictly germane to those issues, we would volun-



*Affidavit of Edward N. Costikyan, December 4, 1962*

tarily have delivered such documents to him were it not for the fact that we [11680] were aware, as we were sure he was, that other defendants had previously made their position clear to both of us that those documents were of a sensitive and secret nature, were irrelevant to the complaint filed in this case, and in fairness to them, should not be disclosed until the defendants who wished to do so had an opportunity to make their views known to the Court.

10. Plaintiff has now moved for the production of documents relating to:

"1. The so-called Consortium Agreements and all correspondence, memoranda and other written material generated in connection therewith . . .

"2. All correspondence, memoranda and other written material relating to defendant Cities Service's efforts to deal in Iranian oil in cooperation with any other oil company or consortium of oil companies after June 1, 1952, up to and including the date of the filing of this complaint.

"3. All correspondence, memoranda and other material relating to defendant Cities Service, Richfield Oil Corporation and Sinclair Oil Corporation looking towards the transfer to or sharing with each other of the prospect of or actual right to participate in Iranian oil after June 1, 1952 up to and including the date of the filing of this complaint.

11. It is of course debatable whether plaintiff would be entitled to the production of such documents even in the conduct of a general examination. The examination of Mr.

*Affidavit of Edward N. Costikyan, December 4, 1962*

Hill, however, is clearly not such an examination. Pursuant to Rule 56(f), it has been limited to the same two issues which the plaintiff testified were the two events which caused him to name Cities Service as a defendant in this case, as follows:

"Q. And of this morning you are telling me—and I assume truthfully—that the two events which you identify as causing you to name Cities Service as a defendant are the contract with Gulf and the entry into the Consortium?"

"A. Yes, sir."

*Transcript of Waldron deposition, Oct. 26, 1959, p. 6076.*

[11681] 12. Moreover, the arguments, or rather the questions, which plaintiff's counsel are now raising in an effort to obtain documents beyond the scope of the factual matters put in issue by the plaintiff with respect to Cities Service Company are the same questions which plaintiff's counsel previously raised in opposition to Cities Service Company's motion for summary judgment. Thus, in plaintiff's counsel's "Summary of Facts" counsel again raises the basic "turn-about" question:

"The idea of a consortium of 'independent companies' had been one of the suggestions Jones had made to Mossadegh while in Iran. The theory had been that only by bringing the independents could Iran break the stanglehold which the majors had in the Middle East. Now suddenly Jones reversed his field and began speaking of a consortium of majors, the very same companies who had enabled

*Affidavit of Edward N. Costikyan, December 4, 1962*

Anglo-Iranian to maintain an effective blockade of Iranian oil."

*Summary of Facts in Support of Plaintiff's Application for Further Document Production by Cities Service, p. 11.*

This is but one variation of the "turn-about" theme which was raised in Mr. Lane's argument against the motion for summary judgment:

"MR. LANE: . . . What I say is they went to this point together as opponents of the cartel, and when they reached this point Cities Service made a 180-degree turn and from that time on was in with the cartel and opposed to Waldron."

*Stenographer's Minutes of Hearing of Summary Judgment Motion, May 9, 1960, p. 143.*

"Obviously Jones could have been reached in any number of other ways. The undisputed facts are that he sought and obtained an invitation to take over one of the largest oil installations in the world. He was excited over the prospect and ready to pour the oil down the lion's throat if necessary. Suddenly the lamb laid down with the lion. The mind seeks an answer and in its seeking asks, 'Was Jones reached?'"

*Lane Affidavit in Opposition to Summary Judgment Motion, May 6, 1960, p. 4.*

[11682] Another question now raised is only a slight variation of the argument against the motion for summary judgment. Counsel's "Summary of Facts" notes that the

*Affidavit of Edward N. Costikyan, December 4, 1962*

Government has brought an antitrust suit against Cities Service, Richfield and Sinclair and goes on to argue that:

"Against that background, the documents produced by Cities Service on the Consortium transaction reveal that Cities Service transferred its right to participate in the Consortium to Richfield less than one month after qualifying for that right and less than two weeks after Sinclair had done the same thing. However, the documents produced do not include any which explain the background of this extraordinary cause of conduct, or even the consideration paid for the participation rights."

*Summary of Facts in Support of Plaintiff's Application for Further Document Production by Cities Service, p. 14.*

In opposition to the motion for summary judgment, Mr. Lane raised the same question in a more pertinent form:

"Independent of the buy off theory, there is the material issue whether Cities Service interfered with plaintiff's negotiations with Cities Service's 31% owned affiliate, Richfield Oil Company . . . The obvious material question is whether Cities Service had a hand in causing Richfield to drop plaintiff so precipitously."

*Lane Affidavit in Opposition to Summary Judgment Motion, May 6, 1960, pp. 4-5.*

The hypothesis underlying plaintiff's counsel's questions is thus the same hypothesis as was advanced more than two years ago. They would now seek an examination to

*Affidavit of Edward N. Costikyan, December 4, 1962*

answer questions they ask themselves rather than to explore the truth of the factual allegations raised by the plaintiff:

"MR. BESHAR: . . . We are remaining with the position that this is, to quote Your Honor, an incantation of events which reaches out and asks the question: Why?"

*Stenographer's Minutes of Argument Upon Settlement of Order, May 3, 1961, p. 16.*

[11683] 13. Plaintiff is attempting to reargue the previous summary judgment motion by raising the same questions once again. These questions, however, still do not rise to the level of factual issues. The only two factual issues which plaintiff has claimed to raise are now open to plaintiff's counsel to inquire into.

14. The documents requested by plaintiff are simply not relevant to the acquisition by Cities Service Company of the opportunity to become a member of the Iranian Oil Consortium or to the making of the Kuwait agreement with Gulf, and accordingly it is respectfully submitted that plaintiff's motion should be denied in all respects.

(Sworn to by Edward N. Costikyan on December 4, 1962.)



**Excerpts from Stenographer's Minutes of Argument,  
May 27, 1963**

[11791] The Court: Before you sit down, Mr. Beshar, I would like you to restate the last sentence you uttered, namely, that you would like to examine the people who had dealings with plaintiff with respect to the issues involved. What do you concede to be the issues involved?

Mr. Beshar: Did Cities Service conspire to boycott.

The Court: Didn't that become sharply focused as a result of the various arguments heretofore [11792] had so that when you were queried by the Court and also in the preparation of your own papers you particularized the issue by saying that there was a payoff or bait and that the agreement dated January 26, 1953 between Cities Service and Gulf Oil connected Cities Service with the alleged conspiracy?

Mr. Beshar: Your Honor, the phrase that you just read you are reading from an order prepared by Cities presented to your Honor. We had absolutely no knowledge at the time we came before you to settle that order that was going to be what Cities Service would suggest to your Honor. We didn't know who Mr. Hill was, we weren't dealing with him.

The Court: You are not answering my question. The primary circumstance to which my question is directed is your definition or redefinition of what you conceive to be the issues. You stated it as being did Cities Service conspire to boycott plaintiff.

Mr. Beshar: Yes, sir. That is our position.

The Court: Then in the course of your argument this morning you went on to say also in the form of a question what were the motivations and [11793] the events that caused Cities Service to boycott plaintiff. Now, have you anything to offer other than questions?

*Excerpts from Stenographer's Minutes of Argument,  
May 27, 1963*

Mr. Beshar: I am not entirely sure I understand that question. When a man moves for discovery I presume he is in a questioning frame of mind. If he had all the answers he wouldn't move for it.

The Court: You got to have something other than mere suspicion.

Mr. Beshar: Let there be no doubt as to the question that you put before me. I have a great deal when I come in here and ask for discovery, I have a whole series of events of Cities Service using my client to get an invitation to go to Iran, of Cities Service top people going to Iran with my client, their negotiations, talking to the press about how they were going to organize the Consortium of independent oil companies; the holding out of a promise to my client that he is going to make millions and millions of dollars working with Cities Service in bringing this oil out and then suddenly an abrupt change.

Now, my client focused on two events as being the explanation of why these people played that [11794] way with him. He looked at the Kuwait contract, a little bit that he knew about it and the Consortium as a payoff. The man could be absolutely wrong and it wouldn't affect his cause of action one jot. You don't have to be able to name what was the payoff in order to bring an antitrust suit. The essential question remains did they conspire. They could conspire for absolutely no consideration. The issue is did these people pull out of Iran and join forces with the other defendants to boycott the plaintiff and other people trying to deal in Iranian oil. That is the essential question that comes before you.

The Court: Mr. Beshar, nobody was suggesting that you had to prove the payoff but the alleged payoff was

*Excerpts from Stenographer's Minutes of Argument,  
May 27, 1963*

brought into the case in the expiration or for determining whether your charge of conspiracy or claim of conspiracy was anything more than a mere conjecture and in the exploratory search the question arose as to what was it that indicated, even in terms of good hearsay, that there was a conspiracy and the Kuwait and Consortium items came in only through you. Didn't you suggest that would be a possibility?

[11795] Mr. Beshar: No question my client has in mind those two possibilities but in terms of giving them the exclusive spotlight, let us have it quite clear that is what Cities Services has focused on in an effort to keep us away from the main issue.

The Court: Didn't you focus on it? Mr. Beshar, didn't you say that those were things——

Mr. Beshar: No question about it, that is right.

The Court: Have you anything else that you think even in terms of suspicion exists?

Mr. Beshar: Absolutely. I say the essential facts before this Court are the going to Iran and those extensive dealings. I am not interested being able at the particular minute, as my client is, in what was the payoff. I am interested in examining on the essential question and that is did they conspire or didn't they.

Again I don't think one has to in advance be able to label what that was to get a discovery.

The Court: Of course that would be creating a false issue.

Mr. Beshar: That is exactly what Cities [11796] Service has done, created the false issue of focusing on Kuwait and the Consortium excluding everything else in the case.

*Excerpts from Stenographer's Minutes of Argument,  
May 27, 1963 .*

The Court: You say they created that issue. What is the genesis of the issue concerning Kuwait and the issue concerning the Consortium? Who fathered that issue?

Mr. Beshar: Obviously my plaintiff put it in his complaint but there is a great deal more to the plaintiff's story than just Kuwait and the Consortium. You cannot just simply take the tail end and say that shall wag the whole dog.

The Court: Is there any other part of the anatomy, canine or otherwise, that you suggest is in the case?

Mr. Beshar: Yes, the important essential question is did they conspire and by that I mean what were the circumstances of their going into Iran and then pulling out of that. Was that pursuant to a conspiracy with the other defendants?

The Court: Is there anything that you could suggest to me of a more specific nature than what you have just articulated as a result of anything that transpired since we had the original argument [11797] on the motion for summary judgment or are we still back where we were when the argument took place?

Mr. Beshar: Certainly I am still back where the argument took place.

The Court: Then you certainly can't and I am just discussing whether there is any circumstance, even good hearsay.

Mr. Beshar: I don't rely on hearsay. We have the very solid fact that they did go to Iran.

The Court: You had that at the argument too. You said there was a history or sequence of events.

Mr. Beshar: There was a very colorful phrase——

*Excerpts from Stenographer's Minutes of Argument,  
May 27, 1963*

The Court: Regardless of the verbiage, is there anything that you now have piercing the veil of language when you take inventory today, what have you got?

Mr. Beshar: The same thing we had then.

The Court: Do you have anything more?

Mr. Beshar: I don't believe so. I am not entirely sure I know what it is that you are asking for.

The Court: I am trying to find out at this moment whether as a result of anything that has [11798] transpired in this case since the date of the argument on the motion for summary judgment, whether you have acquired any piece or scintilla of evidence direct or circumstantial beyond that which you possessed at the time of the last argument?

Mr. Beshar: Yes. I don't want to be led down a road that I shouldn't go. There is no question that in the course of the Hill examination we found many things which we will use to oppose renewal of Cities Service's motion for summary judgment.

\* \* \*



**Excerpts from Deposition of Burl S. Watson,  
July 27-31, 1964**

[10692] Q. Prior to his leaving for Tehran, Mr. Watson, do you recall Mr. Jones expressing a specific intent to stop in The Hague?

Mr. Costikyan: Mr. Beshar, what item are we under now?

Mr. Beshar: I am no longer going to get into these colloquies. You will have to state your objections and I will go on.

Mr. Costikyan: I object as being beyond the scope of the examination. I instruct the witness not to answer.

Q. Prior to Mr. Jones leaving for Iran, had you ever met Mr. Sandburg? A. Oh, yes.

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[10693] Mr. Costikyan: Objection and instruct the witness not to answer.

Q. Were you aware at the time that Mr. Sandburg was a member of the Finance Committee of Royal Dutch Shell? A. I do not know when I became familiar with his position in Royal Dutch Shell. I know now that he has such a position or has had in recent years. I cannot remember whether I knew it back in 1952 or not.

\* \* \*

[10799] Mr. Beshar: Mr. Costikyan, have you rethought your position on blocking any inquiry into the contacts made by Jones with Sandburg?

Before you answer, let me tell you I have thought about this a great deal and you recall that I did question Frame about it and I began questioning

*Excerpts from Deposition of Burl S. Watson,  
July 27-31, 1964*

Watson about it, and nobody raised any objection until I, through some research, discovered the night before last that Sandburg was a member of the finance committee of Royal Dutch Shell, and suddenly there was an objection and instruction not to answer. Have you rethought that position?

Mr. Costikyan: The objection was not interposed because you discovered that you had alleged that

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Royal Dutch was a co-conspirator. All I can say is that I was remiss in not objecting the first time, and I have rethought my objection and you have an order that permits examination as to conversations between Cities Service and any other defendant, and that is the order as it now stands, and I am not going to amend the Judge's order by going beyond it. And I will stand by the objection and the instruction.

\* \* \*

**Affidavit of Simon H. Rifkind, October 16, 1964**

**[12013] UNITED STATES DISTRICT COURT**

**SOUTHERN DISTRICT OF NEW YORK**

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**[SAME TITLE]**

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STATE OF NEW YORK }  
 COUNTY OF NEW YORK } ss.:

SIMON H. RIFKIND, being duly sworn, deposes and says:

1. I am a member of the firm of Paul, Weiss, Rifkind, Wharton & Garrison, attorneys for defendant Cities Service Co. in this action. I submit this affidavit in support of Cities Service's motion for summary judgment and in opposition to plaintiff's motion for further discovery.

**PLAINTIFF'S "CLAIM" AGAINST CITIES  
 NOW DEFIES DEFINITION**

2. Plaintiff's alleged "claim" against Cities Service is like an errant drop of quicksilver which slithers across the table, changing form, shape and direction at will (especially under increasing temperature) and continually defies definition. The "claim" changes from week to week, and from month to month. Old assertions are quietly abandoned. New ones are brought forward [12014] and then suddenly turned around 180 degrees so as to destroy the theory on the basis of which they were asserted. And, finally, plaintiff asserts he needs still more discovery to try to find some new "claim" on the basis of which Cities Service can be kept in this case as a party, because all of plaintiff's old "claims" are groundless.

*Affidavit of Sinton H. Rifkind, October 16, 1964*

### BACKGROUND

3. All of this takes place four and a half years after defendant Cities Service moved for summary judgment. At that time, in April 1960, there were two contentions asserted against Cities: (a) that it was bribed into joining the alleged conspiracy by the Kuwait contract, and (b) that it was rewarded for joining the conspiracy by being permitted to acquire a participation in the Consortium.

4. After full and extensive argument and careful research of the law, this Court held, on March 30, 1961:

"1. It is doubtful in the extreme whether plaintiff has shown that there is a genuine issue as to any material fact with respect to his claim against the defendant Cities Service Co.

"2. The naming of Cities Service Co. as a defendant herein when the complaint was drawn was based only on suspicion and on a gossamer inference drawn from the mere sequence of events.

"3. But for the prevailing strict policy in this circuit with respect to the invocation of the summary judgment procedure, the court would have granted the motion. \* \* \*

"5. Because plaintiff's claim against the defendant Cities Service Co. is, judged by the entire available record, so insubstantial, the plaintiff will not be given carte blanche authority to conduct untrammelled pre-trial proceedings. Such proceedings will be closely regulated. The usual Federal rule permitting fishing expeditions will be curtailed. A just and

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workable balance will be maintained between the respective interests of the opposing parties."

[12015] 5. The "suspicion" and "gossamer inference" referred to by the Court related to the alleged "bribe" of the Kuwait contract and the alleged "reward" of participation in the Consortium. An extensive examination of Mr. George H. Hill, Jr. on those two subjects was conducted by the plaintiff. *In Mr. Lane's contentious affidavit, there is not a single reference to the alleged bribe of Kuwait or to the alleged reward of participation in the Consortium.*

6. Accordingly, the two frail premises on the basis of which this Court in 1961 deferred a decision on the summary judgment motion have now evaporated.

7. In their place, however, a series of contentions have been substituted, each of which again has evaporated. Thus, in November and December of 1962, plaintiff, recognizing the futility of the Kuwait and Consortium allegations, sought to expand the discovery which this Court had permitted on the summary judgment motion, and, in effect, in the guise of seeking such discovery, obtained reargument of the summary judgment motion. After extensive argument, the Court denied the motion for further discovery and adhered to its original position.

8. Upon completion of the Hill deposition, the motion for summary judgment was resubmitted to the Court and plaintiff sought an additional reargument by challenging objections taken by counsel to questions posed upon the Hill deposition. This additional reargument was had, and the Court again adhered to its original decision and sus-



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tained all of the objections which had been taken by Cities to plaintiff's irrelevant inquiries.

9. Next, for a third time plaintiff sought reargument, this time in May of 1963, in the guise of another motion for further examination, and again reargument of the original motion was had. This time the real contention advanced by plaintiff's counsel was that Cities Service had suffered a "change of position", a reversal of attitude, or a loss of interest concerning Iran and Iranian oil in [12016] October of 1952, which warranted further inquiry. He argued that he should be permitted to examine defendant Cities to ascertain whether this alleged change of position was the result of conspiracy with other defendants.

10. Again, after further argument and reargument, this Court allowed such further examination by order dated July 9, 1964. The alleged material issues of fact to which the examinations were directed were whether Cities Service's alleged change of position was the result of a conspiracy with other defendants and whether Richfield Oil's failure to purchase Iranian oil from plaintiff (after plaintiff's contract had expired) was the result of a conspiracy by Cities Service with other defendants.

11. Again, those examinations have been had. Again, the evidence adduced at those examinations—documentary and oral—has required the abandonment of these contentions because the undisputed facts do not support them.

12. The depositions in fact reconfirmed the conclusion that the inclusion of Cities as a defendant in this case was an act of utter irresponsibility. To date, plaintiff's counsel

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has not developed a single evidentiary fact on the basis of which to support a claim that Cities joined the alleged conspiracy in the fall of 1952, or at any other time.

13. Indeed, plaintiff's counsel has by these depositions demonstrated the contrary—that Cities Service was never a member of any conspiracy.

14. Accordingly, plaintiff's counsel has now made a further motion for discovery, abandoning Kuwait as a bribe, abandoning the Consortium as a reward, abandoning fear as a motive, and abandoning the alleged change of position as a basis for further inquiry. Instead, Mr. Lane has substituted for his [12017] prior theories as to how Cities Service became an alleged conspirator—no theory at all! And since he has neither fact nor theory, his application floats in a vacuum of insatiable curiosity.

15. This new motion for discovery—the fourth or fifth reargument of the motion for summary judgment—is accordingly an act of even greater irresponsibility than the original naming of Cities Service as a defendant in the original complaint.

16. For the plaintiff himself has already testified that he had no claim against Cities on the basis of the facts recited in his latest motion. All of the arguments now asserted by plaintiff's counsel depend upon facts which were known to plaintiff before he learned of the Kuwait contract. At that time, knowing these facts, plaintiff drew no inference of conspiracy against Cities Service.

17. According to plaintiff, knowing all these facts, it was his misinformation about the making of the Kuwait

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contract which first gave rise to the suspicion that Cities Service joined the alleged conspiracy, and it was his misinformation about Cities becoming a participant in the Consortium which confirmed that suspicion. The other asserted facts, known to plaintiff before he heard of the Kuwait contract, did not then give rise to a claim of conspiracy even in Mr. Waldron's mind (6076-77; 6357-58), and they do not do so now in any rational mind. They did not then, and they do not now, raise any inference of agreement or combination by Cities Service with any alleged conspirator.

THE UNDISPUTED FACTS OF RECORD, INCLUDING THOSE RELIED UPON BY PLAINTIFF, DEMONSTRATE THAT THE MOTION FOR FURTHER DISCOVERY SHOULD BE DENIED AND THE MOTION FOR SUMMARY JUDGMENT GRANTED

18. Plaintiff makes his motion in the context of a documented record of uncontroverted and incontrovertible facts which demonstrate that Cities Service was not a conspirator at any time.

[12018] 19. The complaint itself alleges that Cities Service was not a conspirator until some time in late August or early September of 1952 (Complaint, ¶ 10(i)(b), p. 19). The facts of record demonstrate that it never became one.

20. The following are the material facts, based upon plaintiff's own testimony and the affidavit of his own counsel as well as the documented record, which demonstrate that every hypothesis which plaintiff could heretofore conceive of to show that Cities had joined the conspiracy has been destroyed:

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a) In 1952, Cities was "short of crude oil" and "wanted to acquire Middle East production."

Lane Aff., sworn to Sept. 15, 1964, ¶¶ 2(a) and (b).

b) Cities entered into discussions with plaintiff concerning the securing of an invitation from Prime Minister Mossadegh to W. Alton Jones to inspect the Iranian oil fields "with a view to reactivating the Iranian oil industry."

*Id.*, ¶ 2(c).

c) The plaintiff knew that Cities Service was not interested in purchasing oil under his contract but rather in trying to help in reactivating the Iranian oil industry and in resolving the Iranian oil controversy with the hope that it might obtain a long-term supply of Iranian oil.

## Waldron Deposition:

"Q. It is your judgment that you had such influence with Premier Mossadegh that any name you suggested he would have invited to Iran to take over the Iranian oil industry; is that your testimony? A. Providing the man was capable and had the background in the oil business and had the spirit and intention of helping the Iranians."

\* \* \*

"Q. Did you have any discussion with Mr. Carter at any time about inviting Mr. Jones [12019] because Cities Service had no financial interest in Middle East oil and therefore Mr. Jones could approach the problem with an open mind? A. Yes, we had discussions with Mr. Carter on it."

"Q. What was said, and when was that discussion, Mr. Waldron? A. I believe it was during our first meeting with Mr. Carter. He pointed out that Cities Service had no Middle East-

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ern holdings and wanted to get some, that they were short of oil, and that they had been trying to get into the Middle East for a long time, and consequently Jones would be the man to do the job." (4164-165)

d) Plaintiff obtained an invitation from Mr. Mossadeh for Mr. Jones to visit Iran, and Cities reimbursed plaintiff for his expenses in securing it.

Lane Aff., sworn to Sept. 15, 1964, ¶¶ 2(d) and (f); Waldron Deposition, pp. 4129-131.

e) The invitation was accepted and Jones, preceded by plaintiff and his associates and accompanied by Frame, Heston, Whetsel and Robeson, went to Iran, inspected the refinery, the docks and the oil fields, discovered there had been no sabotage and that they were in good condition, and so reported to the Iranians and to the press.

Lane Aff., sworn to Sept. 15, 1964, ¶¶ 2(h), (i), (j) and (k).

[12020]

f) Cities Service always considered the cooperation of the British Government and the Anglo-Iranian Oil Company to be essential to the solution of the Iranian controversy, and after reviewing the oil facilities and personnel in Iran found no other practical alternative. Cities Service informed the Iranians that in its opinion British cooperation was necessary for a practical overall solution.

Waldron Deposition:

"Q. Did [Mr. Watson] say that Cities Service would not be interested in making any arrangement for Iranian oil unless and until the problems between Iran and Anglo-Iranian was settled? A. I believe he stated that at this meeting, yes." (6329)

Pltf's Ex. CS-94, Memo from Mr. Watson to Mr. Jones, dated Aug. 8, 1952, stating the cooperation of



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the British Government and the Anglo-Iranian Oil Company was essential because:

"All the transportation facilities and substantial control of the markets through which oil and products would pass are in British hands." (p. 3)

Pltf's Ex. CS-107, First draft of report to Prime Minister Mossadegh, which was orally delivered by Mr. Jones (Frame Deposition, 10364-66):

Pltf's Ex. CS-119, Cities Service draft of "Report on the Iranian Petroleum Situation", dated Oct. 31, 1952.

*Ibid.*

g) Cities concluded that Anglo-Iranian cooperation was necessary in order to secure markets and transportation for Iranian oil.

h) Although, given sufficient time, a tanker fleet might be put together to service the Iranian oil industry and markets might be developed, Mr. Jones and other Cities Service personnel concluded that there was insufficient time for Iran to pursue this course.

[12021]

i) Because of this conclusion, while Mr. Jones was in Iran, and again on the way home, Jones told Waldron and Nelson that the Iranian venture was a "dry hole".

*Ibid*; Lane Aff., sworn to Sept. 15, 1964, ¶ 2(n).

Waldron Deposition, p. 6265;  
Nelson Deposition, pp. 8302-303.

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j) Mr. Jones told plaintiff, the Iranians and the press that he was not afraid of British opposition to the reactivation of the Iranian oil industry and the sale of Iranian oil in world markets.

Lane Aff., sworn to Sept. 15, 1964, ¶ 2(m).

k) He did not tell the press that he had concluded that British cooperation was essential and had so advised Mossadegh.

Pltf's Exs. CS-108; B-132; 136-A-M; copies of newspaper stories concerning Mr. Jones' presence in Iran and his statements to the press.

[12022]

l) Waldron was told by Mr. Lowe that Cities Service would not assist him in any way to sell aviation gasoline from Abadan.

Waldron testified that he was told by Mr. Lowe:

"that the Cities Service people would not be interested in assisting us in any way to help lift the aviation gasoline from Abadan to Korea." (6310, emphasis added).

m) Carter, however, allegedly believed Mr. Jones would help him do so (and for purposes of this motion we are content to accept this alleged fact as true).

Lane Aff., sworn to Sept. 15, 1964, p. 21.

n) In fact, Mr. Jones took the position that small shipments of Iranian oil would only complicate an already complicated situation, and so advised Secretary Chapman.

Lane Aff., sworn to Sept. 15, 1964, p. 22; Pltf's Exs. CS-125A and B, letters to incoming Secretary of State and Attorney General of the United States, in which Mr. Jones said:

"You already know my views on this subject and you understand that I feel that small purchases of Iranian oil cannot possibly solve the complicated problem and would no doubt tend to complicate it further."

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o) Upon Jones' return from Iran, plaintiff was told that Cities Service's activity in Iran was "in abeyance"; that Cities Service was "not interested now"; that "the situation might open up".

Waldron Deposition, p. 6334.

p) Cities Service maintained its interest in Iranian oil and its contacts with Iran after Jones' trip to Iran:

Lane Aff., sworn to Sept. 15, 1964, p. 20:

"It does not happen to be the fact, however, that Cities lost interest in Iranian oil. . . . Jones continued to take a 'keen interest' in Iranian oil. . . ."

[12023]

q) Jones maintained continued friendly relations with the Iranians.

Exs. 60-70, 72-74, 76-81 annexed to Supplemental Affidavit of George H. Hill, Jr. in support of motion for summary judgment, sworn to May 20, 1960.

r) In addition, Cities Service persisted in its efforts through the State Department to facilitate an Iranian solution, including securing an opinion from John W. Davis concerning the legality of the Iranian nationalization and forwarding that opinion to the incoming Secretary of State and Attorney General.

*Id.*, Exs. 72 and 73.

s) In February 1954, a year and a half after Cities Service is claimed to have joined the alleged conspiracy, two of its high officials, Hill and O'Brien, told Herbert Hoover, Jr., the Under Secretary of State in charge of

Pltf's Ex. CS-40.

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the Iranian problem, that the proposed Iranian Oil Consortium was subject to serious challenge because it created "a monopoly of substantially all world oil reserves in a few large companies." According to Hill, Mr. Hoover "agreed that this was bad. . . ." Hill and O'Brien told Hoover "that we agreed with free enterprise thoroughly but felt that any plan was subject to criticism which did not furnish an equal opportunity to the 'have-nots'."

[12024]

t) Cities was treated like every other independent "have-not" insofar as securing a participation in the Consortium.

Exs. 29 through 59 to affidavit of George H. Hill, Jr. in support of motion for summary judgment, sworn to March 31, 1960.

u) The acquisition of an opportunity to participate in the Consortium was not a reward to Cities for giving up its interest in Iranian oil.

*Ibid.*

v) To the contrary, as pointed out above, Cities fought to obtain a greater participation in the Consortium, privately challenged it as monopolistic, and ultimately decided to assign its miniscule share to Richfield.

*Ibid.*

w) The Kuwait contract was not a bribe to Cities to induce it to give up its interest in Iranian oil. The inception of the Kuwait contract long antedated Waldron's interest in Iran and its essential terms had been agreed to prior to Waldron's first contact with Cities Service.

*Id.*: Exs. 1 through 28.

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[12025] ON THESE UNDISPUTED FACTS PLAINTIFF HAS NO CLAIM AGAINST CITIES SERVICE FOR ALLEGED CONSPIRACY AND PLAINTIFF'S ATTORNEY'S ARGUMENTS DO NOT DEMONSTRATE THE EXISTENCE OF ANY SUCH CLAIM.

21. Plaintiff's attorney, Mr. Lane, in his moving affidavit, adds some evidentiary data to these undisputed facts (e.g., ¶ 2(e)—the alleged secrecy enjoined by Cities upon Waldron; ¶ 2(g)—the alleged effort to give the invitation the appearance of spontaneity; ¶ 2(o)—Waldron's attempt to amass a tanker fleet) and otherwise disregards the inevitable conclusion that the undisputed facts demonstrate that Cities was not a conspirator.

22. In addition, he asserts arguments which are based upon alleged facts which his own client has testified are untrue. Thus, while acknowledging that Cities' interest in Iranian oil continued in October (Lane Aff., sworn to Sept. 15, 1964, p. 20) Mr. Lane argues that in October 1952, when Waldron returned to New York, plaintiff was told "that Cities had no interest in Iranian oil" (*Id.* at ¶ 2(p)). This argument is directly contradicted as a matter of fact by plaintiff himself, as we pointed out above. Plaintiff summarized his conversations with Cities Service personnel in October as follows:

"In view of Mr. Watson's statement and the general situation we realized that the—we felt that the thing was *in abeyance*. Mr. Watson said on several occasions they were not interested *now*. Mr. Whetsel kept telling us *the situation might open up*." (6334, emphasis added)

23. And Mr. Lane argues that after October 1952 "Cities interfered with plaintiff's efforts to market Iranian



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oil" (Lane Aff., sworn to Sept. 15, 1964, ¶ 2(q)). This is an argument which plaintiff himself has acknowledged cannot properly be stated in the form of an allegation of fact. Indeed, the very record references which Mr. Lane uses to support his argument show that Waldron testified that he had no evidence that Cities Service had interfered with his attempt to sell oil to the Richfield Company, either at the time he drafted his complaint or at the time of his deposition (6087).

[12026] 24. Plaintiff's attorney has now examined Mr. Watson, Mr. Frame, Mr. Hill, and Mr. Heston, and he still has no evidence whatsoever of any communication whatsoever between Cities and Richfield relating to Waldron. There is thus not a single evidentiary fact to support the argument advanced by plaintiff's attorney.

25. At a later point in Mr. Lane's affidavit, a completely different ground is advanced as support for the proposition that Cities Service "interfered" with plaintiff's efforts to market Iranian oil.

26. Mr. Lane argues at pages 21-23 of his affidavit that Mr. Jones misled Mr. Carter into believing that he, Mr. Jones, would assist Mr. Carter in trying to obtain a necessary clearance from the State Department for the sale of Iranian aviation gasoline to an agency of the United States Government, and that Mr. Jones instead cabled to Mr. Watson, asking him to contact Oscar Chapman, Secretary of the Interior, and to tell him that Jones seriously questioned the wisdom of such action, and did not want to be connected with it in any way.

27. The claimed "interference" thus consists of two elements: (1) Mr. Carter's supposed belief that Mr. Jones was

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willing to assist him in trying to sell aviation gasoline from Abadan; and (2) Mr. Jones' actual belief that Mr. Carter's idea was not a wise one, that he did not wish to be associated with it, and his reporting of these views to Chapman.

28. But what does this claimed "interference" have to do with an allegation of conspiracy? The record demonstrates that in fact it was Mr. Jones' belief that small purchases of Iranian oil would only tend to complicate the Iranian problem even further. (See ¶ 20(n) above, quoting from Jones' letters to John Foster Dulles and Herbert Brownell.)

[12027] 29. And the record is undisputed that, after this claimed interference, Cities Service was not a party to any conspiracy with the other defendants, privately attacked the arrangements which were proposed for the solution of the Iranian oil controversy as monopolistic, privately complained that the "have-nots" were being unfairly dealt with, and had to fight its way along with all other independents who sought a participation in the Iranian Oil Consortium in order to obtain even a miniscule share. As plaintiff's attorney himself put it:

"[I]n fact, Cities watched with resentment when the Iranian pie was ultimately cut up by the seven international majors in a manner characterized by Cities as creating a monopoly for these companies (Pltf's Ex. CS-40.)." (Lane Aff., sworn to Sept. 15, 1964, p. 20).

30. In light of this concession, whatever speculations plaintiff's counsel may engage in concerning the inferences to be drawn from the claimed "interference" (and we note

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that on its face the telegram from Jones to Watson requesting Watson to advise Chapman of Mr. Jones' views is contemporaneous, documented, uncontradicted proof of the motives which led to Mr. Jones' action) the explanation is concededly not that Cities joined the alleged conspiracy.

31. Finally, the supposed deception however arguable as to Mr. Carter is simply not true as far as the plaintiff is concerned. Waldron testified that he himself asked Cities for assistance in the possible sale of Iranian aviation gasoline and was told by Mr. Lowe that there would be no help forthcoming. (See ¶ 20 (1) above).

32. But what is most significant from Mr. Lane's affidavit is that, even conceding every argument as to the state of the record as it now stands, plaintiff has conceded that every alleged motive, inducement or persuasion to Cities Service to join the alleged conspiracy is without basis in fact. In short, every hypothesis of guilt which plaintiff has heretofore been able to conceive of has been negated by the documentary record, plaintiff's own testimony, or his attorney's own concessions.

[12028] THE FEAR MOTIVE IS ELIMINATED BY  
PLAINTIFF HIMSELF

33. That Cities was not induced to join a conspiracy through fear is now conceded:

"Jones was not afraid of British retaliation." (Lane Aff., sworn to Sept. 15, 1964, p. 19).

THE BRIBE MOTIVE IS ELIMINATED BY THE  
UNDISPUTED RECORD

34. That Cities Service was not bribed to enter any conspiracy is now conceded. Mr. Lane's affidavit contains

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not a single word about the Kuwait contract being an alleged inducement to enter any conspiracy and the Hill deposition as well as the documentary record demolish the claim. Hence plaintiff's silence on the issue.

**THE REWARD MOTIVE IS SIMILARLY ELIMINATED**

35. That Cities Service was not rewarded for joining any conspiracy through participation in the Iranian Oil Consortium is also conceded:

"[I]n fact, Cities watched with resentment when the Iranian pie was ultimately cut up by the seven international majors in a manner characterized by Cities as creating a monopoly for these companies (Pltf's Ex. CS-40.)." (Lane Aff., sworn to Sept. 15, 1964, p. 20).

36. These concessions are not surprising, in view of the overwhelming documentation which eliminates fear of retaliation, and the Kuwait contract and the Consortium as possible inducements to conspiracy.

**THE "CHANGE OF POSITION" CLAIM—THAT CITIES LOST INTEREST IN IRAN AFTER OCTOBER 1952—IS NOT ONLY ABANDONED, BUT REVERSED**

37. What is most surprising is the actual *reversal* of the basic premise with which plaintiff had previously sought to avoid the effect of the elimination of bribery, fear and reward as [12029] motivating Cities in joining the alleged conspiracy. That all-important premise, previously advanced by plaintiff in affidavit after affidavit and argument after argument was that Cities Service suddenly and mysteriously abandoned its interest in Iranian oil (Lane

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Aff., May 6, 1960, p. 4; Minutes of Oral Argument, May 9, 1960, pp. 140-43, May 27, 1963, pp. 12-14), and that this "change of attitude," this "180-degree turn," raised an inference of conspiracy.

38. Now we find that it is *plaintiff's argument* that *Cities Service did not drop its interest in Iranian oil*:

"It does not happen to be the fact, however, that Cities lost interest in Iranian oil." (Lane Aff., Sept. 15, 1964, p. 20).

39. Which party made a "180-degree" turn in this case? Who had a mysterious "change of attitude?"

40. Only the plaintiff.

41. Since plaintiff now agrees that Cities Service did not lose its interest in Iranian oil, plaintiff's last "gossamer inference," drawn as it was on a non-existent premise, has now disappeared.

42. What, then, is left of plaintiff's "claim" against Cities?

43. The bribe is gone.

44. The reward is gone.

45. The alleged fear is denied by plaintiff himself.

46. The suspicion as to the Richfield transaction remains wholly unsupported by a single fact and in any event is irrelevant to the alleged conspiracy.



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47. How is Cities claimed to have become a member of the alleged conspiracy?

48. All of Cities' undisputed conduct affirmatively demonstrates that it was not a party to any conspiracy—and there is not a shred of a claim, or a shred of evidence, to the contrary.

[12030] 49. Thus, Cities is claimed by plaintiff somehow to have become a participant in the conspiracy in the fall of 1952. Yet, after that date we find continued interest in Iranian oil, continued friendly relation with the Iranians, continued efforts with the State Department to facilitate an Iranian solution, the securing of an opinion from John W. Davis and its distribution to the incoming Attorney General and the Secretary of State in the Eisenhower Administration, representations by Cities Service to the State Department in February of 1954 in which Cities firmly asserted an antimonopolistic position and challenged the proposal which became the Iranian Oil Consortium as being unfair to the "have-nots" (strange conduct for a conspirator!), and, although Cities is supposed by plaintiff to have become a member of the International Oil Cartel, whose history is alleged at great length in the complaint, Cities was treated as was every other independent insofar as securing a participation in the Consortium.

50. In short, we are dealing not only with an absence of evidence of conspiracy, but undisputed, indisputable, documentary evidence that Cities did not become a part of the alleged Cartel, or make "common cause" with the alleged conspirators.

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51. Indeed, it defies rational understanding how plaintiff can continue to claim, albeit weakly, that Cities Service joined the alleged conspiracy in light of the conceded and documented record of its post-October 1952 conduct.

52. Plaintiff's "claim" is spurious, feigned, concocted, and does not give rise to any material issues to be resolved at any trial.

**PLAINTIFF IS NOT ENTITLED TO DISCOVERY  
WITHOUT A GENUINE MATERIAL ISSUE OF FACT**

53. On these facts, the conclusion is clear that plaintiff's motion for discovery is based on a still unsatisfied curiosity about whether there could possibly be some other reason for suing Cities Service. The short and complete answer to his motion is that he needs a claim against a defendant before he can examine a defendant.

[12031] 54. The documented record is undisputed that, if there were a conspiracy as plaintiff claims, Cities never joined it. In light of its conceded and documented post-October 1952 conduct which is summarized above it is preposterous to suggest that it did. Plaintiff does not point to a single fact which evidences joining the conspiracy. He disregards the dozens of facts which are undisputed and indisputable which demonstrate that Cities never joined the alleged conspiracy.

55. Instead, plaintiff's attorney asserts a variety of plaintive arguments, such as

Jones must have been stopped or induced to give up Cities Service's alleged opportunity in Iran (Lane Aff., Sept. 15, 1964, p. 24);

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The limitation of time placed upon the scope of the depositions should be extended (*Id.* at p. 26);

There was criticism of Jones among certain segments of the oil industry for his trip to Iran (*Id.* at p. 27);

Jones, Watson and Hill had conversations with others concerning Iranian oil after October or November 1952 (*Id.* at p. 28);

Documents after November 1, 1952 have been produced in support of Cities Service's motion (*Id.* at pp. 28-9);

A written statement was prepared by one witness but was not produced (it did not relate to the subjects of the deposition) (*Id.* at p. 29).

But all these arguments are irrelevant to any material issue in this case.

[12032] 56. In the light of the uncontradicted evidence that there was no bribe, no reward, no fear, no change in position, no conspiratorial action, and that there was anti-conspiratorial action, what conceivable difference does it make whether Mr. Jones was criticized in the oil industry? (If he had not been criticized undoubtedly plaintiff's attorney would argue that this was some evidence of conspiracy.)

57. In the light of this record of undisputed facts, what conceivable difference does it make whether there were conversations after November 1, 1952 with Nakasian, Saleh, Henderson, Dulles, or anyone else concerning Iran? (If there were no such conversations plaintiff's attorney would probably once again argue about a mysterious loss

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of interest.) And since when can the uncontradicted documentary record be overcome by an attorney's argument that something "must" have happened when the evidence shows it did not?

58. As an attempted excuse for once again failing to specify any claim against Cities Service, plaintiff has complained that our production of documents was limited to those documents which on their face were communications between deponents and employees of Cities Service or between Cities and another defendant (Lane Aff., Sept. 15, 1964, pp. 25-6). This is nonsense.

59. Plaintiff's counsel have been carried away by their idea that they were entitled to see every document in our files and themselves determine, after examining the deponents, whether a document should be produced. We, of course, produced all those documents which in our judgment constituted communications, whether or not they appeared to be so on their face. (See, *e.g.*, Pltf's Exs. CS-93-5, 100, 103, 106-7, 115, 118-19.)

60. The same type of completely unfounded complaint is the astonishing contention that Mr. Jones' files have not been produced to plaintiff. (Lane Aff., Sept. 15, 1964, p. 33). In fact [12033] documents from Mr. Jones' files have of course been produced whenever they were relevant to the subjects of plaintiff's examinations. Mr. Lane's affidavit itself demonstrates this, for by the time Mr. Lane reaches page 33 of his own affidavit (and asserts that Mr. Jones' files have "thus far not been produced") he himself has already referred to at least eight documents which clearly come from Mr. Jones' files: CS-94, p. 8; CS-95, p. 10; CS-

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124, 125A, B, p. 15; CS-137, p. 18; file copy of letter to Ambassador Henderson, p. 28; file copy of letter to Premier Mossadegh, p. 29. In addition, Mr. Lane attaches as exhibits to his own affidavit, copies of two documents produced from Mr. Jones' files (Lane Aff., Sept. 15, 1964, Exs. A and G). And on the original motion for summary judgment Exhibits 62 through 77 inclusive and 80 and 81 to the supplemental affidavit of George H. Hill, Jr., sworn to May 20, 1960, are in the same category.

61. Plaintiff's counsel also complains that defendant's objections to questions propounded to the witnesses, delving into such remote issues as the acquisition by Cities of concessions (see, *e.g.*, Lane Aff., Sept. 15, 1964, p. 31), efforts by Cities to obtain a participation in a Consortium other than the Iranian Oil Consortium (*Id.* at p. 30), and the like, were arbitrary and unreasonable. Yet plaintiff still fails to point out any theory whatsoever on the basis of which these areas of inquiry have any relevance whatsoever to plaintiff's claim against Cities.

62. The only purported justification for such examination is that plaintiff and his counsel are curious. No other justification has as yet been suggested. But curiosity does not give one a license to examine a defendant in the absence of a claim against that defendant. The only true motivation is the hope that Cities will weary and pay off. The hope which supports this motive is doomed to disappointment.

[12034] 63. In addition, plaintiff suggests that Mr. Watson did not testify that there were no communications between Cities Service personnel and other defendants but only that he knew of none (Lane Aff., Sept. 15, 1964, p. 24).



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Of course, the fact is that all that Mr. Watson or any witness could testify to was that he knew of no such communications. Watson, Heston and Frame so testified. How this can be transformed into a suspicion that there were such communications escapes us.

64. Finally, plaintiff complains of counsel's refusal to permit him to expand the Court's order which limited plaintiff's examination to conversations between Cities Service and any other defendant. Plaintiff's attorney would like to examine concerning conversations between Cities Service and Mr. Jan A. G. Sandberg, a large stockholder in Cities Service who, plaintiff's attorney now asserts, is "a member of the Finance Committee of Royal Dutch Shell" (Lane Aff., Sept. 15, 1964, p. 30). Plaintiff's attorney further asserts that "Royal Dutch Shell" is a co-conspirator named in the complaint (*Ibid.*)

65. First of all, it is essential to attempt to ascertain what company Mr. Lane is talking about. For the complaint does not allege that "Royal Dutch Shell" is a co-conspirator. Indeed, plaintiff's complaint does not refer to any entity called "Royal Dutch Shell." Paragraph 10(a) of the complaint identifies as "Royal Dutch" the Royal Dutch Petroleum Company, and as "Shell" The Shell Transport and Trading Company.

66. We will accordingly assume that Mr. Lane is talking about one or the other or both of these companies.

67. Secondly, as in the cases of Kuwait and Consortium, apparently plaintiff or his attorneys have predicated their claim on a scrap of misinformation which has come to their attention. For the fact is that Mr. Jan A. G. Sand-

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berg, the Cities Service stockholder [12035] to whom reference is made, has never been, is not now, and was not in 1952 a member of the Finance Committee of either of these two companies; nor is he or was he an officer, agent or employee of either of them, or of any of their subsidiaries or affiliates.

68. Mr. Sandberg, I am informed and believe is presently on vacation in the Italian Alps and cannot be reached. I am informed and believe that, in response to inquiries to the "Royal Dutch Shell" group in New York as to Mr. Sandberg's alleged relationship to those companies, Cities Service was advised that he had had no such relationship at any time; and specific inquiry to Mr. Sandberg's secretary, who has been with him for many years, as to whether Mr. Sandberg has ever held any position with Royal Dutch Shell, and specifically as to whether he had been an officer, director, member of the Board or on its Financial Committee during the period 1952 through 1954, resulted in a reply, copy of which is annexed hereto as Exhibit A, stating that Mr. Sandberg has never had any such position and, specifically, that he was not an officer, director, member of the Board or Financial Committee in 1952, 1953 or 1954. In addition, I am also informed and believe that a search made by Mr. Connolly and Mr. MacMurray, of the Central Inquiry Office of Standard & Poor's, has revealed that the annual reports of Royal Dutch Petroleum Company and Shell Transport and Trading Company, Ltd. do not list Mr. Sandberg as having any position or connection with these companies in the years 1952, 1953, 1954 or 1964.

69. Accordingly, once again plaintiff's attorneys have leaped into the great void which constitutes plaintiff's claim

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against Cities, apparently seized upon a scrap of misinformation, and out of it sought to manufacture a new theory on the basis of which plaintiff's non-existent claim against Cities could be given a semblance of life.

70. Incidentally, plaintiff's attorneys are also in error when they say that "Royal Dutch Shell" is a co-conspirator [12036] "named in the complaint."

71. The complaint can be read from beginning to end without discovering any allegation whatsoever, in any shape, manner or form, which claims that Royal Dutch Shell was a co-conspirator. To the contrary, the conspiracy is alleged to have been one between the named defendants and other unidentified "companies and persons" (Complaint, ¶ 9) and, while Royal Dutch Petroleum Company and The Shell Transport and Trading Company are mentioned in the complaint (see, e.g., ¶¶ 10(a), 10(b), 10(c), 10(d), 10(e), etc.) they are nowhere identified as alleged co-conspirators. And when plaintiff purports to describe the alleged conspiracy directed against him in paragraph 10(i), there is absolutely no mention whatsoever of either company as a co-conspirator or otherwise.

72. It is true that the amended complaint refers to an unidentified entity called the "Royal Dutch/Shell Group" as a co-conspirator, but the document which names such a "Group" was served long after the motion for summary judgment was made. In any event, whether or not "Royal Dutch Shell" is named as a co-conspirator is of no moment because once again plaintiff was simply wrong in the conclusion to which he leaped—that Sandberg was a member of the "Royal Dutch Shell" Finance Committee in 1952,

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or at any time, or was an officer, director or employee of "Royal Dutch" or "Shell," or of any of their subsidiaries or affiliates.

73. Finally, the order pursuant to which the depositions were had clearly and properly limited plaintiff to communication between Cities Service and other defendants. No motion to resettle that order was ever made, and defendant's objections were accordingly well taken.

74. In these circumstances, it is clear that plaintiff's attorney has attempted to create some conceivable basis for further [12037] harassing Cities Service by examining it concerning communications between its chief executive and one of its major stockholders twelve years ago.

75. This attempt is made in the face of the uncontroverted, documented record which shows that Cities Service was not a conspirator.

76. Finally, the most shocking and disturbing aspect of plaintiff's effort to subject Cities Service to further harassment is the argument found in paragraph 9 of Mr. Lane's affidavit, in which he in effect asserts that, notwithstanding the absence of any claim against Cities, and notwithstanding the documented record which demonstrates that Cities Service was not a conspirator, Cities Service should nevertheless be directed to produce all of its files for plaintiff's examination.

77. What plaintiff seeks is power broader than the criminal jurisdiction of the Department of Justice in anti-trust matters. There at least some semblance of a claim is necessary before the awesome power of the Grand Jury



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may be invoked to require the wholesale production of files. In the case at bar, plaintiff's attorney sees himself as Department of Justice and Grand Jury rolled into one. Unless, says plaintiff's attorney, Cities Service turns over its files to plaintiff, plaintiff will never cease to harass Cities!

78. Indeed, the request for production and for further examination does not even purport to be relevant to any claim against Cities because no claim has been delineated. Instead, wholesale production of Cities' files is demanded, and wholesale, unlimited, untrammelled deposition of other defendants is requested. This in a case in which this Court held, in 1961, that "It is doubtful in the extreme whether plaintiff" had any claim against Cities, that the "naming of Cities Service Co. as a defendant" was based on "suspicion and on a gossamer inference", and that plaintiff's claim [12038] was so "insubstantial" that "plaintiff will not be given carte blanche authority to conduct untrammelled pre-trial proceedings" (Opinion, March 30, 1961).

79. The law, we submit, is clear that Cities Service is under no obligation, either to plaintiff or his attorney, nor to anyone else, in light of the documented record which demonstrates there is no claim against Cities, to turn over its files to plaintiff.

#### CONCLUSION

80. Plaintiff's unjustified suspicions and untrammelled curiosity have already cost defendant Cities Service vast sums in defending this wholly unjustified lawsuit. There must come a point when plaintiff's curiosity must find its resolution by some method other than continuing to ask



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questions of a defendant which are wholly irrelevant to any claim against that defendant.

81. Plaintiff has no claim against Cities Service. Insofar as plaintiff seeks further discovery, it is clear that plaintiff either seeks discovery relevant to nothing (as in the case of Carter) or that plaintiff hopes to find information which might possibly be useful in connection with his claims against other defendants.

82. In these circumstances, defendant Cities Service is not properly a party to this case. If, in connection with plaintiff's preparation for trial against other defendants, he desires to examine Cities as a witness, rather than as a defendant, he should pursue his right to do so (to the extent that he has not already covered the ground) under the Federal Rules, after the motion for summary judgment is granted.

83. Four and a half years have now been expended in permitting plaintiff to determine whether his suspicion and gossamer inference against Cities could somehow be underpinned with a rational basis. We respectfully submit that the record now before the Court [12039] demonstrates that there is no genuine issue as to any material fact and that no cause has been shown which would justify further expense or delay, and that plaintiff's complaint against Cities Service should be dismissed.

(Sworn to by Simon H. Rifkind on October 16, 1964.)

**Exhibit A—Telegram from Secretary of  
J. A. G. Sandberg**

[12040] WESTERN UNION TELEGRAM

G\*

CITEX NYK

WUCDNYK

WUCDA122 ZM223 44/41 PD INTL FR

CD ZM SGRAVENHAGE VIA WUCABLES 5 1707  
CITSERCO

NYK

FOR MR CHARLES S MITCHELL  
JONKHEER J A G SANDBERG HAS NEVER  
HELD ANY POSITION WITH ROYAL DUTCH  
SHELL NOR HAS HE BEEN AN OFFICER  
DIRECTOR MEMBER OF THE BOARD OR ON  
FINANCIAL COMMITTEE DURING NINETEEN  
FIFTYTWO NINETEENFIFTYTHREE  
NINETEENFIFTYFOUR

HELD RING.

1259P EDT..\*

CITEX NYK

*Supplementary Affidavit of Simon H. Rifkind,  
November 3, 1964*

[12042] UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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[SAME TITLE]

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STATE OF NEW YORK      }  
COUNTY OF NEW YORK    } ss.:

SIMON H. RIFKIND, being duly sworn, deposes and says:

1. I am a member of the firm of Paul, Weiss, Rifkind, Wharton & Garrison, attorneys for defendant Cities Service Co. in this action. I submit this affidavit in order to request the Court to consider the attached affidavit of Jan A. G. Sandberg in connection with Cities Service's motion for summary judgment and in opposition to plaintiff's cross-motion for additional discovery.

2. Plaintiff's cross-motion for additional discovery relies in part on the contention that Mr. Jan A. G. Sandberg was or is a member of the Finance Committee of Royal Dutch Shell (Lane Aff., September 15, 1964, p. 30). In opposing plaintiff's cross-motion for additional discovery, I explained at page 30 of my affidavit of October 16, 1964 that all the information available to me at that time indicated that Mr. Sandberg had never held any position with the Royal Dutch Shell Group, but that I could not obtain any direct information from Mr. Sandberg because he was then on vacation in the Italian Alps and could not be reached.

*Supplementary Affidavit of Simon H. Rifkind,  
November 3, 1964*

3. I have recently received the attached affidavit of Mr. Sandberg, sworn to October 26, 1964, which is directly pertinent to the question of Mr. Sandberg's alleged relationship to the Royal Dutch Shell Group.

4. I respectfully request that the attached affidavit be received and considered by the Court in support of Cities Service's motion for summary judgment and in opposition to plaintiff's cross-motion for additional discovery.

(Sworn to by Simon H. Rifkind on November 3, 1964.)

**Affidavit of Jan A. G. Sandberg, October 26, 1964**

**[12044] UNITED STATES DISTRICT COURT**

**SOUTHERN DISTRICT OF NEW YORK**

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**[SAME TITLE]**

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**WASSENAAR, HOLLAND, to-wit:**

**JAN A. G. SANDBERG, of lawful age, being first duly sworn, upon his oath states:**

**I am a resident of Wassenaar, Holland and my post office address is De Vrise Blick, Hartleaan 14.**

**I am not now nor have I ever been a director, officer, or member of any corporate committee, or employee of the Royal Dutch Petroleum Company or The Shell Transport and Trading Company or of any of their subsidiaries or affiliates.**

**(Sworn to by Jan A. G. Sandberg on October 26, 1964.)**



**Excerpts from Plaintiff's Reply to Cities Service's Submission In Support of its Summary Judgment Motion, November 4, 1964.**

[12171] We should, perhaps, point out that what Jones is quoted as having said at the press conference [in September, 1952] is perfectly consistent with an intention on his part to run the Iranian oil industry with or without British cooperation in transportation and marketing. It would have been a bigger show with British cooperation than without, and if Jones said what Frame and Watson, who were not there, say he said to Mossadegh about the advisability of securing British cooperation (10365, 10714), he laid the groundwork for the bigger show. By saying in public that he was not particularly worried by British threats, he conveyed to the British his intention to run the operation with or without their [12172] cooperation. Everything that he said on that occasion makes complete sense and can be easily understood when considered in the light of Watson's "Secret-Draft-Secret" memorandum of August 8, 1952, written before Jones went to Iran (Pltf.'s Ex. CS-94), and Jones' final draft report to Mossadegh of October 31, 1952, written after Jones returned from Iran (Pltf.'s Ex. CS-119).

We do not deny that one inference to be drawn from Jones' remarks to the press in Tehran on September 18, 1952, if one is to proceed on inferences where summary judgment is sought, is that the remarks appear to be a kind of declaration of independence inconsistent with the captive status of a conspirator. That would only mean, in our judgment, that Jones had not yet fallen off the fence. Plaintiff does not claim that Jones was acting on behalf of a conspiracy when he sought the invitation, or when he went to Iran, or when he held his Tehran press conference, or when

*Excerpts from Plaintiff's Reply to Cities Service's Submission In Support of its Summary Judgment Motion, November 4, 1964:*

he wrote the conclusions to his final draft report on October 31, 1952 (Pltf.'s Ex. CS-119). We cannot say when the first contact was made with him by those from whom he sought to conceal his trip to Iran because it was obviously hostile to their interests. We can only speculate, at this point, whether Jan Sandberg was the avenue of communication. We do have good reason to believe that the heat was on Jones at the time of the annual banquet of the A. P. I. in early November, [12173] 1952, (10422-5), and the fact seems to be that he held back and never did send out the final report of October 31, 1952 (Pltf.'s Ex. CS-119) to Mossadegh (10728).

\* \* \*

[12181] The concluding 26 paragraphs in a section of the [Rifkind] affidavit intended to demonstrate that plaintiff is not entitled to discovery because there is no genuine material issue of fact to try must fall of its own weight, for there is obviously a very considerable area for discovery and we [12182] are not yet at the stage of framing issues. Instead of taking issue with all the arguments contained in this section, we stand on our moving affidavit.

We do not understand how we could have been so misinformed about Sandberg's connection with the Royal Dutch Shell Group. Obviously we cannot be expected to answer on November 4, 1964, an affidavit served on us on November 4, 1964, concerning a gentleman in Amsterdam but we intend to look into the matter. There must have been some substantial connection between Sandberg and Royal Dutch or Watson would not have supposed he had had a position on the Finance Committee (10692).]

\* \* \*